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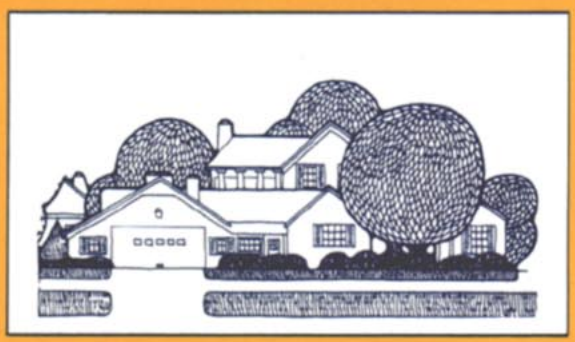
IDEAS ON LIBERTY



The Impracticality of Zoning

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Asking the Right Questions

Human Nature and the Free Society

OCTOBER 1987

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IDEAS ON LIBERTY

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PERSPECTIVE

On Creativity

The philosopher A. N. Whitehead once noted that *creativity*, throughout the ages, has been depicted in two radically different ways.

On the one hand, *creativity* frequently is depicted in terms of the ordering of chaos. A drive to order seemingly characterizes the cosmos and human life, and that drive is what often is meant by "creativity."

On the other hand, *creativity* also is depicted in terms of that which disturbs what is static and unchanging—and therefore what is perfectly "ordered"—by the novel, the new, the unpredicted. A drive to originality seemingly characterizes the cosmos and human life, and that drive is what sometimes is meant by "creativity."

Whitehead insisted that creativity involves both dimensions. The cosmos is characterized both by a drive to order and a drive to novelty. Human life likewise is informed by both drives.

These two forms of creativity find expression in the market economy. The market process simultaneously coordinates and liberates, unifies and diversifies, orders and innovates. Diverse activities and attempts to realize very different visions of the "good life" are coordinated and linked, order conquering chaos. At the same time, old and established ways of doing things yield to new and more efficient ways, the market making possible the benign process that Joseph Schumpeter called "creative destruction."

A drive to order without a drive to novelty leads to what is static, unchanging, and dead. A drive to novelty without a drive to order leads to what is chaotic, random, and incapable of sustaining rational activity. The world displays both drives.

So does the free market in the free society.

Which, I submit, is significant.

—*John K. Williams*

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Land of the Free?

In this year of the bicentennial of the United States Constitution, when Americans celebrate our most cherished freedoms, including freedom of speech and freedom of the press, we might pause to consider the full implications of a recent decision by the United States District Court in Richmond, Virginia (reported in *The Wall Street Journal,* May 14, 1987).

The court ruled that an apartment management firm in Richmond violated Federal fair housing laws by almost exclusively using white models in an advertising brochure. The court fined the firm $12,800.

It is easy to get caught up in questions of race, fairness, and discrimination in considering this decision. But there are other questions to consider: Whatever happened to freedom of speech? Whatever happened to freedom of the press? Whatever happened to the basic right to go about our peaceful affairs without being intimidated and coerced by government officials?

For a penetrating analysis of the unkept promise of the United States Constitution, and the means to reclaim that promise, see Ridgway Foley's article on page 364.

—*BJS*

Time Will Tell

Much concern has been expressed in this century about the semantic piracy that has left us, who are advocates of human liberty, the private ownership of property, and governmental responsibility abridged to the functions of maintaining peace, without a formal name. I, too, have worried over this problem and have come to the conclusion that, at this time, *no solution* may be the best solution.

By becoming obsessed with the notion that we "need" a label, we in effect have admitted that our philosophy is deficient and that, without a moniker, our opinions are left undefended and exposed to contrary suppositions which will strip naked our ideas and leave them wounded and dying on the road to intellectual purgatory; as if a popular name is the only weapon able to resist the force of argument.

I do not think, however, that this is true. The tenets of classical liberalism and free market economics are the strongest, most viable alternatives for the betterment of human society ever propounded. The problem lies primarily in this illusion of weakness—the belief that our ideas are not as powerful as tools of debate as those of the opposition.

So I offer here a temporary remedy to our dilemma. We should, each of us, school ourselves in the philosophy of freedom, so that we can defend and explicate our view in ways that reveal their innate cogency. To borrow from the fundamental principles of Austrian economics, we must manufacture a product that is so consistent with human wants that people demand it above all others. Let us not despair at the glib catchwords, slogans, and epithets of our opponents' rhetoric, but strengthen our own defense with the strongest offense—reason. For in reason there is wisdom, and in wisdom, truth.

In time, I believe we will recover the proper name and definition of "liberalism," but only when, by our thoughts and actions, we deserve that prize.

—*Carl Helstrom*

Mugged by Reality

"The very high level of progressive taxation just doesn't work."

—Kjell Olof Feldt, Sweden's Finance Minister, who has proposed a major tax overhaul. (*The New York Times,* May 12, 1987)

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The Unkept Promise

by Ridgway K. Foley, Jr.

As the weary delegates emerged from convention on that stifling September day now two centuries past, a woman approached the elder statesman of the time and inquired, "Pray, and what have you given us, Dr. Franklin?" He replied, "A republic, madam, if you can keep it!" This essay posits the Constitution as a promise made but unfulfilled; it proposes to describe that promise, to delineate its breach, and to assess the possibility for future atonement.

I. Promise

The prologue to the American Revolution presents one stark aspect overwhelming all other facets: The human condition well fit the Hobbesian declamation of "short, solitary, nasty, and brutish." Ages forgotten struggled against the forces of nature and the depravity of hominoid brutes in an unceasing and everlosing battle against violence, starvation, incivility, and death. Generations existed in the same fashion as their antecedents of centuries past: They suffered the same diseases and unpleasantries of a short and sorrowful life; they advanced in knowledge by toddler's steps, stumbling backward and eradicating gains almost as they were attained; in sum, the world conquered mankind and merely permitted it to exist, wallowing in poverty and pestilence.

Weak shafts of light penetrated this bleak existence, testimony to the inherent worth of mankind. Candles from Grecian, Roman, and Saracenic glory partially illuminated the darkness, only to be shortly snuffed. Our essential inquiry: whether the American experiment, of which our Constitution forms the centerpiece, merely constitutes one of these infrequent beams in the coldness of human history, or whether the Founding Fathers wrought something novel and enduring for all time and for all mankind.

Surely the promise of 1787 was the representation of the latter. The revolution brought forth a new nation in a new world, inhabited and governed by men quite unlike their ancestors in outlook, although flawed with the identical frailty of all human creatures.

The founders employed a distinct and radically different hypothesis of the worth and responsibility of each individual. Drawing from a century of incandescence generated by Locke, Montesquieu, Bacon, Hume, and Smith, the framers no longer viewed men as mere chattels of the divinely-endowed monarch or pawns of the blessed aristocracy. Rather, each individual possessed a worth, a value, a dignity of his own; he was endowed—and not by other men—with natural rights, rights which ought not to be traduced by his powerful mentors, neighbors, ecclesiastics, or kings.

Quite apart from the later Benthamite calculus which demonstrated beyond cavil that better empirical results flow from a free society, the architects of our Constitution recognized the essential moral premises of unrestrained creative human action. Of course,

Mr. Foley, a partner in Schwabe, Williamson and Wyatt, practices law in Portland, Oregon.

He presented a version of this paper to the trustees and guests of FEE at the May 1987 annual meeting, which celebrated the 200th anniversary of our Constitution.

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man's lot improves with the development and distribution of more and better goods, services, and ideas; more saliently, however, it constitutes a moral imperative heretofore noted only transitorily that no man possesses the wisdom, the talent, and the moral privilege to choose for any other sentient being; indeed, to arrogate to oneself such an audacious function deprives the person compelled of essential humanity.

This shocking declaration of individual liberty, this unbridled assertion that each person ought to remain unlimited in the use of his creative and productive energy, this wholesome embrace of an emerging natural rights theory perched upon a moral base, called forth a unique view of the essence and function of the state. Before the grand experiment we now celebrate, all power resided in the state which dribbled droplets of permission upon the heads of favored inhabitants. Naturally, what the state gave, the state could take back, as sanction for departure from enforced orthodoxy, as punishment for real or imagined abuse, or for any other frivolous reason whatsoever.

With the advent of the United States, a new doctrine held forth, divining that all power resided in the self-governing individual; only a few, limited, clearly defined powers—those considered necessary to order society, to solve disputes, to deter aggression—were delegated to the government by the individual citizens. The concept of a free society thus embodied the elements of the moral private property order (necessarily flowing from the belief that free men must remain unconstrained in the production, distribution, and trade of products and concepts) and a strictly limited government, a state which left a broad range of human action free from interference.

Thus, the premise of individual liberty which undergirded both the Declaration of Independence and our Constitution must be viewed against a wholly disparate backdrop of slavery and want. Virtually all ideological and empirical precursors to the United States of America developed in a condition of poverty and backwardness and employed cruelty and tyranny as the dominant tool of governance.

Contrast the American experiment: Individual citizens were to remain free from most restrictions upon their creative endeavors; each man possessed dignity and worth; every person enjoyed a broad ambit of choice and tolerance; and, the concept of limited government sought to assure the open texture of society, free from the bars of prior restraint. The premise became a promise, because no objective observer would deny the existence of imperfections in this bold new structure—after all, the incidents of human slavery and indenture, the denial of certain property rights to women, the encroachments wrought by commercial licensure and taxation, the development of internal improvement programs, among other examples too numerous to mention, betray the inaccuracy of any assumption that Dr. Franklin and his colleagues concocted a perfect solution in 1787.

No Guarantee of Success

The promise of liberty is a guarantee of an open-textured society, of opportunity unchained from forceful human barriers. It does not assure success in any particular venture, or a felicitous outcome for all individuals in the state, or a happy and prosperous life. No system of governance can make such a promise without engaging in the most disgusting fraud. The rhapsody of a free society sounds in the potential improvement of the human condition by the concatenation of results achieved by myriad actors no longer impeded by the harsh codes of human minds. If each individual possesses merit, and if observation teaches that all of us display incurable character flaws, it follows that no single citizen or group ought to intercede with force in any other man's quest, no matter if the journey or the path seem abysmally foolish to all onlookers.

The founders sought to fulfill the premise and the promise by construction of an institution of government quite unlike any forerunner. They recognized that such a structure must accommodate the curious duality of mankind—our light and sinister aspects—in order to achieve the grail of individual liberty. The delegates read history. They understood Lord Acton's dictum ("power tends to corrupt; and absolute power corrupts absolutely") before its utterance. They perceived that those few glimmers in human history arose in periods of relative freedom, times of relative diminution

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of state power. And, they learned sadly that each such lantern had been extinguished all too soon.

Observation of human proclivity and study of human action afforded the framers—a most extraordinary collection of men—ample examples of good intentions gone wrong. A fundamental religious faith and scrupulosity leavened their historical perceptions with essential moral tenets necessary to the development of their imaginative endeavor, a truly free and tolerant society, one not wedded to the redundant errors of the past. The promise of the open society they envisioned could be accomplished only if the sinister tendencies residing in each human being might be quelled in a fashion which solely restrained destructive behavior, leaving the greater creative and productive power unhindered.

Positing these principles, the founders set about the business of the day in 1787. They soon discarded the initial suggestion to repair the Articles of Confederation. Instead, they applied their efforts to a new edifice, one designed to accomplish their vision. Precedent demonstrated that the greatest threat to personal liberty dwelt in public coercion, that legal fiction denoted "government." Purportedly conceived from a Rule of Necessity, this monopoly of compulsion surrounded by trappings of juristic propriety exhibited an unalterable tendency to demolish freedom and promote tyranny, often accompanied by paeans and platitudes of the highest order. Thus, the draftsmen applied their considerable talents to assure—to the best of man's limited ability—that no such coercive edicts would restrain the creative activities of the inhabitants of the new nation, all the while cognizant of the second greatest threat to true liberty, the forceful and fraudulent behavior of other men *not* carried out under the aegis of the state.

Our forefathers felt compelled to deal with these twin turbines of tyranny, collective evil, and individual malevolence. Since deterrence and punishment of the latter formed the *sine qua non* of the state, and was assumed to constitute the necessary element of good government, the delegates spent considerable time during convention drafting sessions and debate attentive to the former and greater danger. To fulfill the promise of a government dedicated to the preservation of liberty, a state foreshadowed by the Jeffersonian Declaration a decade earlier, the founders designed a constitutional republic, the exemplar of the classic form of a limited government.

A Limited Government

The grand norm contained four major limiting concepts, each in its discrete manner contrived to reduce the common human propensity to seize and exercise power over the lives and destinies of others. First, the Constitution divided governmental powers between the Federal republic and its constituent states; this division of powers rested upon the doctrine of subsidiarity which recognized that propinquity renders a coercive monopoly less subject to abuse. The thirteen states displayed common traits, including disparate but similar constitutional guarantees of individual rights; those protections remained in place with the creation of the Federal union. Second, the delegates limited the powers ceded by the inhabitants and the states to the general government. Those powers granted were written in the plain language of the day, and all unspecified powers were retained by the lesser states or their individual citizens. Third, the few powers granted to the national government were separated and diffused among legislative, executive and judicial branches, each performing essential functions, and each exercising controls ("checks and balances") over the competitors. The unhappy English and French histories of unitary state excesses weighed heavily upon the draftsmen. Fourth, as an afterthought, and as an inducement to adoption, the framers added a specific Bill of Rights, further declaiming the rights of individual citizens to be unfettered by avaricious and smothering government.

In essence, as Dr. Franklin advised his entreator, the convention brought forth a republic. The draftsmen of 1787 were scholars. Certain attributes inhered in a design termed "a republican form of government": a notion of limited governmental powers, operating under a written instrument, governed by selected representatives chosen for their wisdom, discretion, and foresight, and not wholly unlike the judges

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of the Old Covenant. Most assuredly, these chosen representatives were expected to govern soberly and civilly, unswayed by transient passions of envy, greed, jealousy, and covetousness.

Thus, in September of 1787, the convention provided this fledgling nation with a promise of a free society, a republican form of government subject to retention or discard.

II. Breach

It has become commonplace to assign a specific date or event as the genesis of the downfall of the American Republic. Albert Jay Nock chose the year of his birth (and, incidentally, the natal year of Lenin and Roscoe Pound), 1870; for others, the Wilsonian Revolution (Federal Reserve Act, 16th Amendment, entry into World War I) fills the bill; still others select the advent of the New Deal, Camelot, Vietnam, Watergate, or even hearken back to Shays' Rebellion or *Marbury* v. *Madison*. In truth, the breach pre-existed in both the premise and the promise, lending prescience to Franklin's strange answer.

The quintessential element of a constitutional republic for a liberal society exists in the accountability of the individual citizen. Self-government demands personal responsibility, tolerance for broad differences in ideas and actions, willingness to accept untoward consequences of ill-advised conduct. Democracy differs not at all from mob-rule; in 1841, Charles Mackay [*Extraordinary Popular Delusions and the Madness of Crowds*] collected myriad examples of wrong-headedness, most of which (e.g., Tulipmania, the South-Sea Bubble, the Mississippi Scheme) resided in the collective memory of 1787. Simply put, the mass is nearly always wrong; aggregate thought and action magnify mistakes and drown out innovation. A simple voting majority in a democracy may employ the ballot to rape, pillage, or oppress the minority with juridical impunity.

Cognizance of these evils of human behavior impelled the draftsmen to construct a republican government in an attempt to shield the dissenter from the excesses of majoritarianism. Limited powers, divided powers, separated powers, written rights, all coalesce in a noble undertaking of liberty—and all depended upon individual accountability, the amenability of each man to accept the consequences of his actions and to bridle the common desire to shunt unexpected or unhappy effects onto the unwilling shoulders of his neighbor.

The promise did not die aborning. Indeed, it survives today in attenuated fashion. Observers from Alexis de Tocqueville, to Rose Wilder Lane, to Henry Grady Weaver noted the astonishing outpouring of creative energy released in the humane economy protected by the republic. Liberty improves behavior as well as production. Thus, the early years of the republic witnessed stupendous accomplishments in eradication of disease and increase in material choice; in addition, greater moral harmony ensued, as men and women, left to their own devices, learned how to make better choices, choices no longer dictated by the grinding poverty and tyranny of the past.

The Constitution created no Golden Age of perfect freedom, no light that somehow failed. Intolerance, greed, envy, and coercion rode across the American scene as surely as the fabled four horsemen of the Apocalypse. State and national governments did intrude into the creative realm on occasion (e.g., commercial barriers, internal improvements, post roads) and powermongers did secure subsidies and special privileges to the detriment of consumers and competitors. Nonetheless, the premise reined in these riders, as society in general remained committed to a belief in the felicity of human freedom. Cursory perception discerns significant differences in direction and content between Dickens' "best of times, worst of times" in the Old World, and the enlightened new nation.

Just as patently, however, we have not kept the faith with Franklin. The breach of promise occurred not with sudden swiftness. Rather, it took place in trundling bits and pieces. The woodsman's axe from without melded with the rot within to fell the oak of the republic. We no longer read; hence, we no longer read history. We refuse to make fine distinctions; hence, we fell prey to sirens and panderers. We lack consistency; hence, we created intolerable exceptions for ourselves at the expense of others. We believe responsibility imposes too great a

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burden; hence, we accept second place in moral behavior and thrust our load upon another human being. In short, we acted as men always have acted, in an amazing parallel to, say, Rome, and we reaped the consequences.

Today's Alexander Pope will deny the breach. Today's Voltaire must set him aright. No effective limit on government exists; citizens act creatively only on privilege subject to whimsical revocation or, more often, merely by virtue of the innate clumsiness of bureaucracy. Separation of powers? Nonsense! An inconsistent and unwelcome judiciary acts as the Privy Council of old, while the Congress passes out favors and limits market entry more artfully than any French assembly; meanwhile, the executive rambles on its merry way, issuing edicts in the forms of unchecked regulations and executive orders reminiscent of the monarchs of days gone by. Division of powers resembles a chimera; the local governments, denuded of any real authority, cluster at the Federal fount, playing pressure group politics as surely as any labor union, business association, or other collection of brigands. Brick by brick, stone by stone, the republic has collapsed and, in its place, a "democracy," more like a vulture than a phoenix, has risen.

III. Atonement

Historical criticism demonstrates a singular fact: Human assessment and prediction is never quite accurate, and the closer one stands to an event, the less likely he is to discern its significance correctly. Thus, those who foretell a descent into a Dark Age for the United States of today are probably quite as wrong as a Mr. Micawber heralding a brave new world. In addition, mankind displays an innate ability to avoid foolish restrictions, an ability expanded by a heritage of freedom. For these reasons, a free society manifests a considerable resiliency, a survival in kind even after decades of dark oppression. Hence, hope remains that the breach may be cured and the promise of a constitutional republic resurrected.

How does this nation recapture the promise of freedom? Not with smug platitudes, vacant clichés, and muddled thinking. Not with conduct separated from integrity and principle. Not with a continued resolve to ignore the law of causal consequence. Not with the devotion to inept tutors and teachers. Certainly not with an eye devoid of historical fact. We have lost our republic simply because we have lost sight of the premise of the promise: Liberty affords the greatest opportunity for human fulfillment, and the essential cornerstone of a free society is a unique commitment by the vast majority of all citizens to the principle of individual responsibility.

The vision of freedom is clear, its virtues manifest and unassailable. Perversely, stalking the ideal proves exceedingly difficult; as observed, even the candles of relative liberty in eons past have snuffed quickly. The following redirections should help us find our way if we, as a nation, truly wish to reapproach the benign condition devised to us 200 years ago.

First, recapture the wraith of liberty. Understand, with Isaiah Berlin, the connotations of positive and negative liberty. Assign only proper functions to the state—maintenance of order, settlement of insoluble disputes, prevention of aggression; remove from government all chores which render it a monitor of nonaggressive behavior or a builder of societal edifices. Release each man from all bonds upon his creativity; restrain only his destructive and aggressive behavior. Recognize the indivisibility of liberty in all disciplines, and cast aside such vacuous distinctions as "commercial" versus "non-commercial" speech and "human rights" versus "property rights"; permit the private property order, the market, to exist and satisfy the subjective values of each voting participant in that dollar democracy. Rediscover the rational, empirical, and moral foundations of the free society.

Second, observe the necessary limits upon a state and upon the outcome attainable by any form of government. To reiterate: Freedom provides an open texture without prior restraint; it does not guarantee felicity. Many state temptresses proffer the seduction of happiness, order, security, equity; such enticements defraud those who listen; no form of government could fulfill such a promise, and any who heed the siren's song return to muck and mire. The state consists solely of destructive power; it cannot create, only destroy, and it tends to

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cause unanticipated and unpleasant results, most likely because men of power fail to understand simple rules of causality, morality, and human activity.

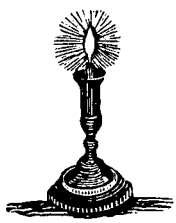
Third, comprehend the role of individual accountability in a republican order. Remember: Freedom necessarily includes the freedom to fail. Choice involves selection from a range of alternatives. Finite human creatures may choose beneficially, or they may err significantly, or their pick may rest somewhere along the continuum between merit and detriment. Further, the range of effects, good or ill, may not become readily ascertainable. Freedom compels each choosing actor to accept all consequences of his selection; it does not permit him to toss out his bad choices, to ameliorate the detrimental effects thereof by compelling another individual to accept those unintended or unhappy results, in whole or in part. A society which allows some participants to retain only beneficial results and to thrust the discards upon their neighbors is not free; it operates in the same fashion as the mandate state of the past, where, in George Orwell's prophetic *Animal Farm,* "some pigs are more equal than others." The compelled recipient of another's bad choice loses an important aspect of his very humanity; only a poltroon would term him "free."

Personal responsibility forms the touchstone of freedom. The delegates understood that each man's liberty depends upon that equal and reciprocal right residing in every other individual. If A employs the law to shunt the burden of his bad choices unto the unwilling shoulders of B, B loses his freedom to that extent, no matter how moderate and polite A's motives. A also loses some of his liberty (albeit by his own choice) and humanity, for tyranny requires unproductive effort to keep the slaves in line. Also, in the democracy of the day, B may seize the juridical apparatus in order to get even or get ahead. The result: Frederic Bastiat's circle of pickpockets, each mulcting the other.

It requires no small arrogance to use such harsh words in our circumstances. Educators, newsmen, politicians and preachers lull us into a somnolent mirage: Live for the day, for "in the long run we are all dead"; alchemy lives and dross deficits become universal benefits; I possess rights, you owe duties; freedom and subsidy for me but limited market entry and unwholesome regulation for you, because of "our special circumstances"; the market failed, and in its stead we have erected a humane society; freedom is fine in its place, but we must sustain the arts (build a safety net, ensure competition, enforce orthodox behavior, or any of thousands of droll substitutes).

A litany of abuse of our Constitution by those seeking special privilege demonstrates the distance we have traveled from the convention of 1787. Every inroad into human creativity displaces more brick and mortar from the edifice of constitutional republic. Every usurpation of power by the state weakens the structure and portends its collapse. Forget motives; assume that each breach takes place with the sweetest and most innocent of intention. Breach occurs, no matter the design.

Each one of us harbors favorite ends, the product of our subjective value system first described by Carl Menger almost a century after Franklin's comment. Propriety orders each individual to support his own charity, to further his own interest, to improve his own position by trading his produce in the marketplace, and to seek his own destiny, all without compelling others to join in his quest. Instead of this ideal, permitted by a republic of limited, diffused, and separated powers, we have bowed to our envy, apathy, and inconsistency and have retreated from any semblance of personal responsibility. And as a result, we have substituted a grab bag for a market, and have become a nation of petty thieves and dictators. Atonement requires recognition of our error, resolve to correct our ways, and advance towards the liberal society bequeathed to us 200 years ago. □



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More Collectivist Clichés

by Philip Smith

In her recent trip to the Soviet Union, British Prime Minister Margaret Thatcher challenged Mikhail Gorbachev to defend Soviet human rights policy. Gorbachev replied that when Western leaders were ready to discuss poverty, unemployment, and homelessness in their countries, he would address human rights in the Soviet Union. This is a typical Soviet response, designed to confuse the issue and shift the blame once again to the capitalists.

It is unfortunate that the Soviets take this approach, but it is even more unfortunate that the world press will let statements like this go unchallenged. In the newspaper accounts, not a single journalist felt obligated to point out that while Thatcher was addressing the question of human *rights*, Gorbachev's response dealt with human *privileges*. Just as it is intuitively and logically obvious that all men have the right to be free, so it is also obvious that no man has the inherent right to be given a home.

It is with exactly these types of issue-confusing answers that the collectivists continue to delude the world press. By reporting the above conversation as if both arguments had equal merit, the press imply that the problems of poverty, unemployment, and homelessness in the free world are the moral equivalent of government oppression in the communist world. Let us address each of Gorbachev's issues individually and explain why they are not the result of "human rights violations."

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First, consider homelessness. Obviously, every man has the right to buy a home, assuming he can find someone willing to sell him one at a mutually agreeable price. It is unfortunate that some individuals neither have the funds to purchase a home, nor the ability to raise these funds. The collectivist, however, would have us believe that we are somehow morally obligated to *provide* these individuals with homes.

Naturally, the homeless are free to seek ways of earning income, and to use this income as they see fit. By the same token, I should be free to earn my income, and also should be free to do with it as I see fit; and this includes no obligation to provide homes for strangers. When the collectivists grant the so-called "right" to a home, they remove my right to do as I please with my property—and this is a true, basic right. Robbery is robbery, whether the homeless steal directly from me to provide themselves with a home, or whether government steals it first and then hands it to them.

Unemployment

Just as with homes, the collectivists imply that we are somehow morally obligated to provide a job for every person, regardless of this person's abilities, skills, or productivity.

To say that every person has the right to a job is to imply that someone else has an obligation to *give* him one. Here in the free world, we recognize a man's right to seek employment, so long as there is someone willing to employ him. But to insist that someone (or everyone)

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provide him with a job, denies the right of the employer to do as he chooses with his own property. Once again, by establishing a false "right," the collectivists actually have taken away a basic human right: the right to use your earnings as you choose.

What the collectivists fail to mention is that in a free, capitalist society, the natural unemployment rate is very low. The most significant cause of high unemployment is government intervention in the economy, particularly minimum wage laws. By establishing a minimum wage, the government effectively declares that all persons whose productive value to an employer is less than this wage shall remain unemployed. The implication is that it is morally superior to live on welfare than to become self-sufficient by earning a "low" wage.

Poverty

Homelessness and unemployment often are accompanied by poverty; indeed, it seems the three are nearly inseparable. Poverty, like homelessness, is the direct result of an individual's lack of funds. Once again, the collectivists imply that we should feel morally obligated to give our earnings to those who haven't earned anything of their own. Just as in the previous examples, to force someone to give up his earned income or goods to support strangers robs him of his natural right to do as he wishes with his property. It becomes apparent that the collectivists' accusations are all built around this common fallacy: that some men have a right to the earnings of others. In the free world we recognize this as false.

Now, before anyone cries out that this is a cruel and unjust state of affairs, let me point out that *voluntary* charity is perfectly compatible with freedom. In a pure, capitalist society, everyone has the right to do with his income as he pleases; and if it pleases him to give it to the poor, then no will stop him. If it pleases him to give jobs to the incompetent or unskilled, then he is free to do so until his funds run out. If he wishes to provide homes for the homeless, he not only will find himself unobstructed, he probably will be congratulated as well.

The one thing that no man *or government* has the right to do is to take the property of others by force. This is what our own government does when it removes some of our income (by force) and gives it to others. This is the principle on which the whole collectivist economy is built: the right of some to rob from others in the name of "justice."

As long as the press continues to report both factual and fallacious arguments as if they held equal merit; as long as Soviet clichés go unchallenged; then the collectivists will continue to pull the wool over the eyes of millions. Since publications devoted to exposing these clichés are few and far between, it is up to us, the defenders of freedom, to spread the word. □

IDEAS ON LIBERTY

A Mirage

Socialism is a fantasy, and the illusion that it is being approached is in the nature of a mirage. No country in the world has attained even an approximation of the socialist vision. In communist countries, the state has not withered away, as Marx predicted; instead, it has grown in power and sway. Nowhere does "from each according to his ability, to each according to his need" prevail, nor can it do so. "Need" can no more be measured than men can be induced to produce according to their abilities when rewards are separated from efforts.

—Clarence B. Carson

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The Impracticality of Zoning

by John Gillis

Zoning, like any other public policy, should be analyzed on two levels—its moral status and its practical consequences. For the purposes of this essay, I will concentrate on the practical aspects of zoning. I will leave aside the basic moral questions surrounding the use of government coercion to prevent people from using their own property as they see fit.

What Is Zoning?

Zoning is government control of privately owned land in these two broad areas:

—The *use* of property.

—The *size* of a building on a property, or the portion of a property covered with buildings.

There are hundreds of subsidiary and corollary controls imposed by zoning, but most fall under these two classes of control. Most zoning laws control the *use* and *bulk* (the technical term for size) of any buildings on a parcel of land.

There are extensions of zoning laws called *growth* controls which (in a simplified way) can be described as inhibiting the *timing* of building. Such controls go beyond *use* and *bulk*, and take the form of moratoriums on any development of a certain kind. Alternatively, they may control the amount of a specific kind of building that may be constructed each year.

Growth controls usually supersede existing zoning controls. That is, if the zoning laws clearly allow you to build a factory or a house on a certain site, the growth controls can say: "No, not this year, or not until further notice by the City Council." So even if you can do such and such "as of right," growth controls can eliminate your government-granted "right."

"As of right" is a basic term in zoning. There are two ways of building something, or using your land, in a zoned community.

1) You can use the land within the precise limits of the zoning laws, which makes your action "as of right." (Here the government is giving you a privilege which they call a right.)

2) You can attempt to use your land in a way that varies from the zoning laws, and take action to persuade or influence the zoning board to let you do this—and if the board agrees, they give you a variance. (A variance, in effect, is a permit to violate the zoning laws this one time, by you, at a specific site.)

Why Is There Zoning?

What prompted the creation of zoning laws? Here are some major motivations of zoning advocates.

- The desire to restrict or prohibit uses considered undesirable by established landowners and tenants, and the related desire to hold onto a specific appearance or atmosphere of an area which is threatened by newcomers.
- The desire to reduce the problems that come from the high density of people in urban areas.
- The desire by established builders/owners to protect themselves from the competition of new developers.

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- The desire of political radicals to seize control of private property, or the desire of political moderates for public solutions instead of private contract solutions.

This list is not exhaustive, since the motives people may have for controlling other people's actions seem to have no limits. But this list covers much of the territory usually cited by zoning advocates, and will help in illustrating the consequences of zoning.

Oil Refineries, Garbage Dumps, and Your Home

Perhaps the most common practical argument for zoning is the demand to restrict or prohibit uses considered undesirable by established landowners and tenants. For example, the classic horror illustration is the specter of an oil refinery opening on the lot next to your lovely home.

Aren't limits on the uses of land and the sizes of buildings a sensible matter for cities, counties, and states to coordinate—to avoid damage to existing landowners by nasty new uses or massive buildings? Most people would like to have some assurance about the long-term status of the surroundings they have invested in. This is natural. Zoning advocates take this natural desire and offer an anti-market solution.

The next-door oil refinery, or auto parts store, or supermarket (or a thousand other examples) are generally economically absurd, betraying no sense of how businesses operate. No sane businessman would set himself up on a quiet, residential street, since his chances of success would be remote. Because most businesses require easy access to major highways, high visibility (for retail businesses), parking areas, loading areas, and room to expand, they would not locate on such a street. (Conversely, such businesses often oppose having residents moving into their business or factory area because such residential uses often are a nuisance to the businesses.)

An office building development is another specter often cited. But no developer will locate in an area that does not provide direct access to public transportation and highways, commercial support stores, parking areas, and so on. There are businesses, such as law offices, doctors' offices, convenience stores, or other low-key economic activities that conceivably could be happy on some residential street. But what is the damage to the neighborhood? Businesses such as these are just as likely to be as quiet and compatible as the residents around them. And convenience stores are aptly named—most people are happy to have one nearby.

But what if you and people with similar tastes want to have an exclusive residential area untainted by commercial or professional activity, no matter how discreet? You still have no need for zoning.

A Way Out

If you and your neighbors want to insure that there will be no grocery stores, doctors' offices, and such in your neighborhood, or if you are fearful that someone, acting against his own interest, will open a shopping center on an inaccessible street, you can have your desire. You can achieve this end without forcing other landowners to bend to your wishes or the government's edicts.

There are different approaches depending on whether one is discussing an existing neighborhood or one being built.

The easiest method is in a new neighborhood being formed by a developer, or by several developers in a contiguous area. Agreements to limit *uses* and *bulk* can be made among the developers (or by each developer alone) and incorporated in the property deeds. In real estate law, these limitations are called restrictive covenants. This approach is in the interest of the developer, since he expects that many of his buyers will like the security of knowing their neighborhood will be stable and no garbage dump will sprout. The only usual way it can change is by a unanimous vote of the property owners, or by the expiration of one or more of the covenants.

But at the same time, the developer is unlikely to make the covenant overly restrictive, since he may find no buyers wanting to own a highly restricted property. So a balance is struck based on the best estimate of what the developer's prospective buyers will like, just as

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in every other estimate of what buyers will want. The developer must please the buyer, or go bankrupt.

In an existing neighborhood, where a desirable atmosphere may have been created without zoning or restrictive covenants, property owners may decide at a later date that they need to preserve this state of affairs. This is much harder to do than in a newly developed area. Because of this greater difficulty, people desiring highly restrictive land use usually buy property that already has clear limitations in the deeds. This, in fact, is often one of the components that make up a decision to buy a specific property. However, the advocates of zoning, in effect, say that one need not make the issue of restrictions a part of the purchase decision, because one can later petition the government to force your neighbors to yield to your will.

But some measures can be taken in an existing area. A property association can be formed, and members can agree to abide by certain limits on the *uses* or *bulk* of new portions of buildings. And if there are some holdouts, there are two options. If the agreeing landowners feel strongly enough, they can offer to purchase the few holdouts, so that deed covenants can be added to those properties. Then they can resell the property to a new owner.

Another option is to ignore the few holdouts for the time being, since most of the neighbors have agreed on a certain set of conditions. Then as the few holdouts come up for sale over the years, the association can bid on them and slowly complete the process of protection. Putting money where your values (or mouths) are is an old American tradition. And it is much better than inducing the government to reduce your neighbor's rights of ownership.

In new communities, the practical results of a private, restrictive covenant approach are dramatic.

- There is clarity about the nature of your land's use and any limitations.
- There is security in the knowledge that no politician has special power over your property.
- There are no zoning meetings.
- There are no taxes for maintaining an army of bureaucrats to administer zoning laws.
- There are no special privileges that someone can inveigle.
- Land and building values will not be subject to wild speculation due to the possibility of governmentally granted changes in *use* or *bulk*.
- And it is unlikely that any covenants on your property will be so restrictive as to make the property forever uneconomic if conditions in your area change substantially. (If it became valuable to change the restrictive covenant, then this is a decision for the landowners to make, not a political group.)

Functionally, zoning and restrictive covenants have a basic similarity: They both provide some control over land use. Zoning laws, in fact, may be less restrictive than covenants in some neighborhoods. But zoning usually is more restrictive and more complex. Major city zoning laws share some qualities in common with the Internal Revenue Code: unwieldy, complex, ambiguous. But aside from a common functional origin, zoning and freedom in land use are opposites in every fundamental way.

The Problem with Crowds

Another motive for zoning is that few people like to be crowded. So it is natural to take measures to prevent that condition.

How do people come to live in crowded conditions? They may prefer the close contact and stimulation of myriads of people. Or they may grudgingly accept such conditions for professional or business reasons. Or they may have been in an uncrowded area that became popular and drew more people.

How can the person who was there in the first place, or the person who came later (contributing to the density, but not liking it) prevent further crowding? Zoning advocates say: limit landowners' rights. Establish laws that outlaw whatever use an owner may desire, and substitute the rule of political appointees.

When such laws are passed, the following happens: The price of land, the price of buildings, the price of renting, the price of doing business, the price of government, the price of being a newcomer and trying to estab-

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lish yourself—all must rise (other factors remaining equal). Zoning penalizes everyone, and particularly the group that is the weakest: those without large resources or without political connections.

Why do these prices all go up? An example will illustrate.

A new zoning law limiting bulk is instituted, and says, in effect: "You thought you could build a 50,000-square-feet, ten-story apartment building here, but we now say you can make it only 25,000 square feet." If the land has cost $50,000, suddenly your cost of the land (per square foot of new building) goes from one dollar to two dollars.

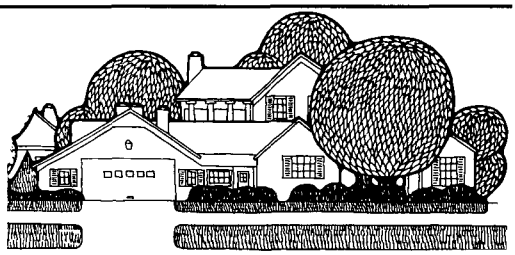
Now you have to decide whether your project is economic or not. If it is uneconomic, you don't build. In this case the number of places to live in that community stays the same, rather than going up. Thus the price of housing will tend to rise, since the presumed reason for a new building was an increase in demand for housing. Since there is less housing than there would have been, the price of existing housing rises.

Alternatively, if you decide it is still economic to build, the asking price of your new apartments will be higher since you want to include your increased costs in your sale or rental price. If it is offices or warehouses being built, the same conditions occur, and rents tend to go up. (As always, the city needs a bevy of officials to interpret these rules and enforce them. The price of building permits tends to include these higher costs.)

Since these price rises and all the other cost increases that can be traced through this process are mainly hidden, some people believe that zoning is beneficial and adds no real costs to anyone. But such "benefits" are illusory and, in the long run, are detrimental to everyone in the economy.

The Socialist Undercurrent

Most rationales for zoning given in this essay spring from pragmatic and self-interested motives—whether for financial or political gain—despite what public, altruistic reasons people may give. But there are those who have ideological motives. Some people want zoning because they believe that the marketplace should be strictly controlled. They are socialists at heart. And while this is not the place to critique socialism, the wider philosophical/economic issue of socialism vs. capitalism gives a valuable perspective on zoning.



Zoning should be seen as the local socialism it is—national socialism, city-style. Most Americans would object to the depiction of their "benign" for-the-public-good zoning boards as socialist organizations. But beneath the pragmatic politics, one can see the same arguments which are being offered by advocates of national economic policy. What they are pushing is straightforward socialist philosophy, wrapped in standard mixed-economy language making it palatable to pragmatic Americans. There is a clear similarity in principle to the fascist form of socialism, wherein government becomes a "partner" with the owners of capital. The unique aspect of this new "partner" is that it wears a gun (the police power) during negotiations.

The practical results of this local socialism are the same, in essence, as the consequences of socialist experiments in countries around the world. The living conditions of mostly free economies vs. mostly government-controlled economies stand out clearly. From the poor, anemic economies in socialist Eastern Europe, to the human devastation in socialist African countries, the impracticality of government control (or "partners") of the marketplace is clear.

This zoning-socialism is an attempt to replace the myriad decisions of an area's inhabitants with the decisions of a few politicians—and the people who influence those politicians. Just as the debate in a national economy is between the socialists (national economic policy advocates) and the capitalists (let-the-market-alone advocates), so a fundamental division exists between the zoning advocates (who believe overall planning is essential) and the op-

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ponents of zoning (who believe in laissez-faire land policies).

Do Unto Others What You Would Hate

Developers and real estate investors who have built up a region, or invested in it, are as prone to narrow, unprincipled motives as any other people. They would like to stop new developers from entering the region and putting up competing apartment buildings, office buildings, or shopping centers. But the marketplace offers no opportunity for such venality to function. Only when the political process is introduced can some people's bad motives become public policy.

Those who are established in an area are more likely to be politically connected than newcomers trying to get in. This makes it easier for them to influence politicians who decide the fate of potential developers. Often those politicians and their friends on the zoning boards have received campaign funding from established real estate interests. This makes for conflicts of interest, and leads to distorted land use in the community.

In an unfettered land market, there is no way to restrict competition among businesses in an area by not allowing them to build—except by buying them out. Nor are there any restrictions on putting up homes, offices, or factories. The only restrictions possible in a free market are those of agreement by the landowners, acting in their own interests. Thousands of communities use such private means, and they work.

The Near and the Far

Since the concept of zoning—and to a lesser extent growth controls—has been accepted in our culture, socialist/zoners will keep pushing this particular frontier of statism. A recent development has been for city governments to require builders to pay them a sum of money before the builders are even allowed to begin a project. The premise is that developers make so much money that they should be singled out for special "taxation." These are not ordinary taxes, but negotiated sums demanded by the city, earmarked for the homeless, or the less privileged, or for public transit, and so on. Under this new approach (San Francisco has become a leader in using the police power for economic extortion), "as of right" becomes meaningless. A developer's ability to build becomes dependent on the views, feelings, and attitudes of those in power.

How can a businessman plan the costs of a development, or know how much to pay for a piece of land, if such power is held over his head? Thus development becomes even more risky than usual. And risk is always paid for, primarily by the future buyer and the renter.

However, there is reason to smile in the face of worsening land controls in some areas. Many localities vote down proposed zoning laws each year. Thousands of small to large cities are still zoning-free—with Houston being the largest U.S. city substantially free of zoning. Studies providing hundreds of concrete details, legal arguments, and practical problems have been presented in such works as Bernard Siegan's seminal *Land Use Without Zoning* (D. C. Heath and Co., 1972). And recent work by such scholars as Richard Epstein in his book *Takings* (Harvard University Press, 1985) has shown (with some zoning examples) the illegitimacy of government seizing property or a portion of the owner's rights. These principled attacks may turn Americans away from zoning in the coming decades.

Also encouraging is a recent Supreme Court decision. On June 9, 1987, the court ruled by a 6-3 vote that the Fifth Amendment, which bars the taking of property "without just compensation," requires that landowners be reimbursed not only when the government seizes property through eminent domain, but also when it thwarts the use of property by land-use regulations (*The Wall Street Journal,* June 10, 1987).

An awareness of the impracticality, the costs, and the economic dislocations (which have been only lightly touched on here) will help change attitudes toward zoning. Americans, by and large, are a practical people and will respond to the damages wrought by zoning if these damages are explained. And many Americans also will be open to arguments regarding the errors of laws which violate good moral theory—because they want to be both practical and good. □

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Do Unions Have a Death Wish?

by Sven Rydenfelt

Hans Vaihinger, known for his "as-if" philosophy, stated that researchers and philosophers sometimes have to work with "crazy" assumptions. Thus, Copernicus assumed that the earth is a sphere, although almost everyone living at the time was convinced that the world is flat. In a similar fashion, Sigmund Freud concluded that the behavior of certain people could be explained only by assuming that they have a death wish, contrary to the common assumption of a general instinct for self-preservation.

In recent years, many labor unions have behaved in a manner which can only be described as self-destructive. Can it be that unions, which have attained special privileges through the political process, are abusing their privileges to the point that they are destroying the public confidence and legislative support which have been the source of their power?

Let us consider three episodes of union behavior which seem to exhibit a death wish.

Unions and the Swedish Shipping Industry

According to the American economist, Mancur Olson (*The Rise and Decline of Nations,* 1982), powerful organizations in unholy alliances with strong governments have been the primary cause of the economic stagnation which has gripped the Western World during the last fifteen years. There is no better example than the strangulation of Swedish shipping.

Since the mid-1970s, shippers all over the world have suffered from an overcapacity which has idled vessels and depressed shipping rates. If the market had been allowed to adjust, overproduction would have been eliminated quickly. In free markets private firms have to adapt supply to demand, because overproduction means losses. But the unions were able to extort large subsidies from the different Swedish governments—socialist as well as non-socialist—to preserve employment in the shipyards. Of course, they realized that production had to be cut, but they hoped that those burdens would be borne by other nations.

As orders for Swedish ships declined, more and more state subsidies were granted. Orders that didn't cover half the building costs were accepted, and finally, ships were produced without any orders at all. Despite the huge subsidies, all Swedish shipyards eventually had to be shut down.

With other countries subsidizing their own ship-building industries, the oversupply of ships grew worse. Freight rates plunged and the Swedish shipping industry called upon Swedish maritime unions to cooperate in cutting costs. The unions, however, with support from the Swedish government, were able to block meaningful cuts.

The ship owners soon realized that sailing under so-called convenience flags (Liberia,

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Panama, etc.) was their only hope for survival. The Swedish sailors were offered the same net wages, after taxes, that they would have received in ships under Swedish flags. However, they would have lost their government-guaranteed privileges—minimum crews, extra holidays, etc.—losses they refused to accept. Instead, they extorted from the government another privilege, a law prohibiting ships owned by Swedes to sail under convenience flags.

The only resource for the ship owners, threatened by bankruptcy, was a gradual sale of their ships to companies in other countries—a forced sale in a depressed market. The Swedish merchant marine, which ten years ago measured 13 million deadweight-tons, is now reduced to 2.5 million tons.

In *Human Action* (1949) Ludwig von Mises maintains that government-granted special privileges, designed to favor certain groups, often wind up hurting the groups they are supposed to help. The Swedish regulations which prohibited Swedish ships from sailing under convenience flags are an obvious example. Designed to aid the Swedish maritime unions, they combined with other regulations to destroy the very jobs they were supposed to save. The unions, who agitated for these regulations, acted in a manner which is perhaps best characterized as displaying an economic death wish.

Unions and the British Printing Industry

The British printing industry offers another example of the self-destructive behavior of unions in defending the privileges of their members. The printers always were an aristocracy among workers, so well organized and prepared to fight for their interests that the employers were forced to buy production peace at very high prices.

Their unions fought a last and bitter battle for their privileges in 1986-1987—privileges including automatic life tenure, job-assignment rights, and wage scales higher than those for most reporters. The basic issue was the introduction of labor-saving technology. The printers refused to use the new technology, and claimed the exclusive right to continue to work with the outdated technology that had granted them a key position in the newspaper industry.

The outcome of the fight meant life or death for several large British newspapers, that had suffered losses for many years and were near bankruptcy. The new technology was their only chance for survival.

After years of vain negotiations, Rupert Murdoch, who published four large newspapers, had to sidestep the unions. At Wapping in the harbor district of eastern London he had a new printing office built, and in January 1986 he moved with his newspaper production (34 million copies a week) from Fleet Street to Wapping. At the same time he fired 5,500 striking print workers, whom he replaced with workers from the less militant electricians' union. The printers had been offered a generous economic package, which they refused to accept. The chairman of their union federation, Brenda Dean, realized that this offer was their last chance for an acceptable agreement, but a majority of union hawks chose to continue to strike.

British union members have always had the special privilege—unlike other citizens—to apply physical force against non-strikers and other adversaries in labor conflicts. Although not formally legal, the right functioned in practice as a legal right, accepted by the police and the courts. Of course, this was a very remarkable privilege, fully comparable to the privileges of the old European nobility.

The Thatcher government, however, abolished this privilege by means of laws prohibiting all physical force in labor conflicts—"violent picketing" included. According to union tradition, strike-breakers are to be treated like outlaws without legal rights. But only in fascist states can such legal discrimination exist. In a law-governed society all citizens should be protected by law.

When the fired printers—in spite of the new laws—attacked non-strikers as well as the Wapping office, the government ordered police to stop the attacks. The conflict, including a siege of the Wapping office, continued for more than a year. With empty strike funds and threatened with high compensation claims against law-breaking members, the printers and their union had to surrender unconditionally in February 1987.

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Unions and The British Mining Industry

Still another illustration of union behavior patterns can be found in the strike of 120,000 British coal miners—out of a total number of 180,000—between March 1984 and March 1985. The strikers did not fight for higher wages. Their strike was a last desperate effort to stop the gradual closing down of the coal mining industry. At the nationalization in 1947, roughly 1,000 mines were being worked, a number that had shrunk to 170 by 1984. Simultaneously, the number of miners had decreased from 600,000 to 180,000.

The principal cause of the decline was the emergence of oil as a cheaper and better substitute for coal. When the British government tried to slow the substitution of oil for coal in industry by means of tariffs, taxes, and prohibitions on oil, energy prices in British industry rose above the prices in competing countries. This had a devastating impact on Britain's ability to compete.

The mines that remained open were sustaining heavy losses which had to be made up by massive subsidies. But the striking miners insisted that mine closings be stopped and current production levels maintained. What they sought, in fact, were new privileges at the expense of the coal industry and the British taxpayers.

When the striking British miners, after a year-long conflict, abandoned their strike in March 1985, this was perhaps the greatest union defeat in British history. This defeat together with the defeat of the printers in February 1987 meant, in fact, a turn of the tide. The British union movement may never recover.

With strong organizations and government-granted privileges, the unions in their heydays had functioned like power blocs—states within states. But power leads to abuse, and the more power the more abuse. As a general rule, the privileged classes indulge in wishful thinking and interpret their acts of abuse as wise and just policies. But more and more people have been shocked by the union abuse of power. And in a democractic society, the turn of public opinion is bound to have consequences. □

Not a Public Interest

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Unions have not achieved their present magnitude and power by merely achieving the right of association. They have become what they are largely in consequence of the grant, by legislation and jurisdiction, of unique privileges which no other associations or individuals enjoy. They are the one institution where government has signally failed in its first task, that of preventing coercion of men by other men—and by coercion I do not mean primarily the coercion of employers but the coercion of workers by their fellow workers. It is only because of the coercive powers unions have been allowed to exercise over those willing to work at terms not approved by the union, that the latter has become able to exercise harmful coercion of the employer. All this has become possible because in the field of labor relations it has come to be accepted belief that the ends justify the means, and that, because of the public approval of the aims of union effort, they ought to be exempted from the ordinary rules of law. The whole modern development of unionism has been made possible mainly by the fact that public policy was guided by the belief that it was in the public interest that labor should be as comprehensively and completely organized as possible, and that in the pursuit of this aim the unions should be as little restricted as possible. This is certainly not a public interest.

—F. A. HAYEK,
"Unions, Inflation, and Profit"

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Asking the Right Questions

by John K. Williams

The distinguished scholars of the British Royal Academy once were asked why it is that, when a live frog is immersed in a container filled to the brim with water, the water does not overflow. A lengthy and vigorous discussion resulted. Rival theories explaining this phenomenon were elaborated and analyzed. At long last, however, one member of the Academy filled a beaker with water, lowered a frog into it, and the problem which had so perplexed the scholars was solved. The water *did* overflow! The asking of a flawed question had spawned countless flawed theories!

In seeking to understand the freedom philosophy, it can be helpful to consider not only the vision of a "good society" held by people embracing this philosophy, but also the subtly different questions these people ask and seek to answer. Indeed, one helpful way of attracting people to the freedom philosophy is simply to raise the questions that give birth to that philosophy. Let us consider some examples.

Nearly two and a half millennia ago the Greek philosopher Plato asked a question that he and numerous thinkers after him sought to answer. Putting Plato's question in contemporary terms, we could phrase it thus: *What social structures maximize the good that the best people can do, given that such people exercise political power?*

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Plato's answer, elaborated in *The Republic,* demanded the isolation and rigorous training of a genetically superior group of people he called "the Guardians." They would rule. To ensure that they would not be distracted from their task or open to corruption, both family life and personal possessions would be denied them. Such deprivations, however, would be a small price to pay: Freed from emotional ties and the desire to accrue wealth, they could devote themselves to the contemplation of truth and goodness. Knowing the truth, and loving the good, they would be fit to govern.[1]

Throughout the ages, many variants of Plato's question have been asked, and diverse answers given.

- Jean Jacques Rousseau in France dreamed of rule by men with privileged access to what he called "the general will" of a community—a "will" wiser and more beneficent than any individual's will or any group of individual wills.
- The "Radical Tories" of early nineteenth-century Britain advocated rule by an aristocratic elite, whose financial security and refined tastes would lift them above self-interest and enable them to steer a nation in directions benefiting all.[2]
- Karl Marx depicted rule by class-conscious workers and a liberated intelligentsia: Understanding that the ultimate goal of human history is the creation of a post-market, stateless society in which "class war" would be no more, their temporary dictatorial rule would lead to the truly "good" society.

Aristotle's Question

Yet a question raised by the great successor of Plato, Aristotle, has long haunted philosophers: Who guards the guardians?

Plato, of course, would have dismissed the question. It assumes that the Guardians need to be guarded, whereas in truth the Guardians are so wise and so good that no safeguards are needed. That confidence, however, Aristotle did not share.

Neither did the classical liberals, the thinkers upon whose shoulders contemporary advocates of the freedom philosophy stand. They thus

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asked a very different question to that posed by Plato and his successors.

"How," asked the classical liberals, "can men and women organize political life so that, should the least morally admirable members of a community acquire political power, the damage they could do would be minimized?" They did not assume that such people would gain power. But suppose they did.

The point can be made another way. Opponents of classical liberalism shared a belief in human perfectibility.[3] They asserted that at some point in time a superior class would exist which would be free from the flaws of most human beings. This class would be fit to rule.

This belief was rejected by the classical liberals. Writing in 1881 to Mary Gladstone, Lord Acton gave succinct expression to this viewpoint: "The danger is not," he wrote, "that a particular class is unfit to govern. Every class is unfit to govern."[4] Why? Because all human beings are finite and fallible.

Hence, the classical liberals' vision of the role of government. That role is no less and no more the protection of the equal liberty—the equal rights—of all. All men and women are to be free to formulate their own peaceful visions of the "good life" and to strive to make those visions a reality. No man or woman, no group of people—even the majority—is to be entrusted with the power coercively to "correct" the hopes and dreams of their fellows.

The corollary to this is economic freedom. In the absence of omniscience—complete and perfect knowledge—the centrally planned, socialist economy is a fantasy. No planners, however intelligent, could even begin to list the diverse and changing needs of the millions of human beings making up a modern nation, or somehow collate and synthesize all the information diffused among these millions of people.

Edmund Opitz once summarized the key political precept of the freedom philosophy: "Never give to a friend in government power you would not willingly cede to an enemy in government." And that precept is born of the question first raised. Instead of asking, "What politico-economic structures maximize the good that the best can do, assuming that the best enjoy political power?" we should ask, "What politico-economic structures minimize the evil that the worst could do, were they to enjoy political power?"

Means and Ends

Typically, opponents of the freedom philosophy believe themselves to be in possession of a detailed pattern to which a truly "just" society must conform. They know what distribution of wealth is fair. They know how men and women should use their property. They possess a blueprint for perfection, or at least near perfection.

Recent philosophers have called this view of "justice" the "end-pattern" understanding of justice.[5] The justice of a society is measured by the extent to which that society corresponds to the ideal pattern or blueprint.

The classical liberals, rather than asking what rules or laws make such outcomes possible, asked questions about rules and laws themselves.

In large part this was born of their skepticism that any person or group of people is in possession of a detailed blueprint for a perfectly "just" society. Yet a further insight led them to raise the questions they did.

Suppose one decides that in a "just" society, great disparities of wealth should not exist. To achieve this end, wealth must be transferred from rich to poor. Clearly, a rule specifying two groups of people—the "rich" and the "poor"—is required, and institutions must be created to effect the transfer.

Consider this rule in more general terms: Wealth shall be taken from group X and transferred to group Y. Given such a rule, and given the institutions making its enforcement possible, an obvious problem emerges. Who is to determine the identity of group X and group Y? Clearly, those in political power. Why should we assume, however, that these people will decide that group X shall be "the rich" and group Y shall be "the poor"? Why not a rule transferring wealth from the elderly to the young? From people of Jewish descent to Gentiles? Indeed, why not from the poor to the rich? Everything turns upon who happens to enjoy political power!

Considerable evidence has been gathered by public choice theorists for saying that the mo-

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ment we accept rules discriminating between various groups in a community, wealth is invariably distributed from unorganized, information-poor individuals and groups to well-organized, information-rich special interest groups.[6] The ideal situation, from a politician's point of view, is to distribute wealth from people who do not know what they are paying to people who know precisely what they are receiving.

To use an example from Australia, high tariffs on textiles and clothing achieve just such an outcome. The owners of textile and clothing companies know precisely how such tariffs benefit them, as do unions involved in these industries. But most Australians have no idea that the tariffs cost the average Australian family some $900 a year. The politicians imposing the tariff alienate few of those who lose but are guaranteed the support of those who win.

Thus is born the politics of the jungle. Politicians carefully calculate how many special interest groups they must reward to be elected. These special interest groups shove their way to the government trough, utterly indifferent to the least organized, least politically significant members of society. And the entire sordid exercise is possible because rules discriminating between different sets of people are deemed proper!

The classical liberals saw one and only one way to avoid this state of affairs. They insisted upon the Rule of Law—and they defined *law* very carefully. They did not identify the Rule of Law with rule by any edict passed by representatives of the majority. Rather, they insisted that rule must be by general principles of just conduct, equally applicable to all people, in an unknown number of future instances.[7]

Consider a law against murder. It applies to all. It is irrelevant to ask to what ethnic, financial, religious, or other group a murderer belongs. Justice is blindfolded. When such a law was passed, it was impossible to predict in advance what persons would run afoul of the law.

Compare a government which passes a rule imposing a wealth tax. It is perfectly clear when the rule is passed just who will be affected by it, and what reordering of the community will result.

Two very different understandings of *justice* have emerged. The first focuses upon some ideal pattern, the "justice" or "injustice" of a society being measured by its conformity to that pattern. The question to be asked is what rules and institutions enforcing these rules are needed to achieve conformity to the pattern.

The second meaning of *justice* focuses upon the form of the rules which govern a society. The question asked is whether those rules are laws classically defined—general rules equally applicable to all in an unknown number of future instances—or edicts which single out particular groups, awarding them special privileges or condemning them to carry special burdens. Once again, the question asked is all important!

The Problem of Poverty or the Problem of Wealth

In thinking about the different questions people ask, it is worth noting that questions often arise when people are confronted by the unusual or the unfamiliar. A bird in flight occasions no bewilderment; a man flapping his arms in full flight would.

Today the big question asked by men and women anxious to solve the problem of poverty is, "Why poverty?" The question is legitimate. Yet I suggest that the intensity and frequency with which the question is asked indicates that poverty is perceived as the puzzling exception to the normal state of affairs.

That abundance—material plenty—is taken for granted is perfectly understandable. Those of us living in relatively free-market economies have always known supermarkets with bulging freezers and groaning shelves. Yet, historically, the abundance we assume has been the exception rather than the rule. The life of all but a handful of men, women, and children who have walked this planet has been an unrelenting struggle for the material goods bare survival demands.

Two economic historians recently described historical reality by noting that the "economic lives of our ancestors . . . [were] of almost unrelieved wretchedness. The typical human society has given only a small number of people a humane existence, while the great ma-

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jority have lived in abysmal squalor. We are led to forget the domineering misery of other times in part by the grace of literature, poetry, romance, and legend, which celebrate those who lived well and forget those who lived in the silence of poverty. The eras of misery have been mythologized and may even be remembered as golden ages of pastoral simplicity. They were not.''[8]

The ex-Marxian French historian, Fernand Braudel, has authored a superb three-volume study, *Civilization and Capitalism: 15th-18th Century*.[9] It constitutes an antidote to the romanticizing of humanity's economic past.

As Braudel so devastatingly documents, European nations from the fourteenth century until the eighteenth century were caught in what is sometimes called a ''Malthusian trap.'' Frequently, communities increased their productive outputs, technological innovations leading to more plenteous crops. That, if you like, was the ''good news.'' The outcome, however, was an increase in life expectancy. There were more mouths to feed. The rate at which population increased was greater than the rate at which economic growth occurred. In a few years, people were back where they had started.

Economic Escape

Then something unprecedented happened. In sixteenth-century England and the Netherlands, economic growth became a reality. More food, for example, began to be produced. The population of these two nations began to increase. So far, so familiar. But then came the historical shocker. As the population increased, economic growth continued at a rate surpassing the population growth. Fewer children died. Life expectancy began to climb. Two nations actually had escaped the Malthusian trap!

The economic lot of surrounding nations enjoying equal or greater supplies of natural resources and an equal or greater percentage of arable land remained as it always had been. Neither England nor the Netherlands was in possession of some new technological process. Nor could this marvel be ascribed to the acquisition of colonies. For no obvious reason, sixteenth-century England and the Netherlands were beginning to experience the abundance we today take for granted. Why there? Why then? The questions seemed unanswerable.

At long last economic historians, particularly Fernand Braudel and another ex-Marxian French historian, Jean Baechler, have thrown light on these questions.[10] In the sixteenth century, England and the Netherlands independently witnessed the birth of a new system of property rights, a system approximating what we today call private property rights. The legal and political structures defining and enforcing this system were taking form. And the specters of recurrent famine and destitution began to retreat.

This system—private property rights—is the key to understanding a free market economy.

Voluntary exchanges of goods and services are as old as human history. Markets where such exchanges can take place are not new—Jerusalem of biblical days was a market city, as were all the great ancient cities. Private property in a limited sense obtained before the emergence of the free market economy, being one of the few constants of human history. The notion that primitive peoples rejected the concept of private property defies all available evidence. For example, prior to the coming of white settlers, the natives of South Africa took private property for granted, even though, not surprisingly, different tribes had different rules as to what sort of property could be privately owned.[11]

What is unique to the system of private property rights at the heart of the free market economy is (1) the extension of private ownership from some goods to virtually all goods, (2) the extension of the right to property from some class or caste of people to all people, and (3) the efficient enforcement of private property rights by governments. Do not misunderstand me: The system of private property rights which emerged in sixteenth-century England and the Netherlands did not display these features in their fully developed form. But even if only embryonically present, the free market economy, and its handmaiden of limited government, began to grow.

Given that private property rights are fundamental to the operation of a market economy,

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the distinction between production and distribution collapses. Admittedly, that may sound strange at first hearing. After all, did not even John Stuart Mill make the distinction? In the first chapter of Book II of his *Principles of Political Economy* Mill writes:

> The laws and conditions of the production of wealth partake of the character of physical truths. There is nothing optional or arbitrary in them. . . . [I]t is not so with the distribution of wealth. That is a matter of human institution solely. The things once there, mankind, individually or collectively, can do with them as they like.[12]

The point is that the phrase, "the things once there" is incomplete. What is "there," so to speak, are owned things. At every stage of the productive process, what exists is owned, from machinery through raw materials through partially completed goods to the final product. To speak of a distribution of wealth that somehow is distinct from the production of that wealth is to make the absurd statement that, at the end of the productive process, there is a huge pile of unowned goods.

Such thinkers as Adam Smith, Carl Menger, Ludwig von Mises, and Friedrich Hayek, to name just a few, have shown us how any attempt to redistribute wealth disrupts the productive process, so that the creation of wealth declines. But even in a hampered market, production goes on. The United States continues to produce wealth even though the operation of the market has been sadly fettered. However, resources, particularly labor, are increasingly misallocated. The decisions of men and women whether to buy or to refrain from buying, to consume or to save, to invest in one industry or another, are more and more influenced by political decisions, rather than by price signals through the market.

When people owning some good find that their liberty to peacefully use or dispose of that good is curtailed, they "own" that good in a very attenuated sense. An element of uncertainty is introduced that affects people's decisions and the productive process. Add to that what many of us perceive as the sheer immorality of transgressing an individual's property rights, and a most disturbing state of affairs has been created. And all this is ultimately bred by confused thinking which separates the productive process of the market from the allocation of goods and services it creates.

Summary

Let me summarize my three main points:

- Ask not how to maximize the good that the best people can do with political power. Ask rather what economic and political structures minimize the evil that the worst people can do, were they to achieve political power.
- Ask not what laws are needed to impose upon a people some blueprint of an allegedly "just" society. Ask rather what limitations upon the law are needed if tyranny is to be avoided.
- Ask not how wealth is to be distributed. Ask rather how it was that a world which hitherto had known only destitution suddenly witnessed the birth of nations where abundance prevailed; and, how what these nations learned can be used for the enrichment of humanity and thus to the glory of God. □

1. For a useful commentary on *The Republic* see Cross, R., and Woozley, A., *Plato's Republic: A Philosophical Commentary* (New York: St. Martin's Press, 1966).
2. A fascinating account of the "Tory radical" mentality is provided by Driver, C., *Tory Radical: The Life of Richard Chandler* (New York: Octagon, 1970).
3. See Passmore, J., *The Perfectibility of Man* (New York: Charles Scribner's Sons, 1970).
4. Cited in Green, J., *The Cynic's Lexicon* (New York: St. Martin's Press, 1984), p. 1.
5. Cf. Nozick, R., *Anarchy, State and Utopia* (Oxford: Basil Blackwell, 1974). Cf. Lucas, J., *On Justice* (Oxford: Oxford University Press, 1980).
6. Buchanan, J. and Tollison, R. (eds.), *Theory of Public Choice: Political Applications of Economics* (Ann Arbor: University of Michigan Press, 1972); Borcherding, T. (ed.), *Budgets and Bureaucrats: The Sources of Government Growth* (Durham, NC: Duke University Press, 1977).
7. Hayek, F., *Law, Legislation and Liberty*, Vol. I (*Rules and Order*) and Vol. II (*The Mirage of Social Justice*) (Chicago: Chicago University Press, 1973 and 1976). Cf. Dietze, G., *Two Concepts of the Rule of Law* (Indianapolis: Liberty Fund, 1973).
8. Rosenberg, N. and Birdzell, L., *How the West Grew Rich: The Economic Transformation of the Industrial World* (New York: Basic Books, 1986), p. 3.
9. Braudel, F., *Civilization and Capitalism: 15th-18th Century*, three volumes, trans. S. Reynolds (New York: Harper and Row, 1984).
10. Baechler, J., *The Origins of Capitalism*, trans. by B. Cooper (Oxford: Basil Blackwell, 1975).
11. See Louw, L. and Kendall, F., *South Africa: The Solution* (Bisho: Amagi Publications, 1986), pp. 3-17.
12. Mill, J. S., *Principles of Political Economy*, seventh edition (New York: Kelly, reprinted 1979), p. 200.

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Human Nature and the Free Society

by Edmund A. Opitz

Is there anything in the basic makeup of the men and women we know, or those we read about in the press, or encounter in the pages of history texts, which encourages us to believe that the free society we strive for is a realistic possibility?

Edward Gibbon, the great historian of Rome's decline and fall, offered, as his considered judgment, the opinion that "History is little more than a register of the crimes, follies, and misfortunes of mankind." The bleakness of this assessment is redeemed somewhat by the inclusion of the words "little more." Human nature does have its dark underside which pulls us down below the norm and produces the crimes, follies, and misfortunes recorded by historians.

But there is more to our story than this; there is also a record of the geniuses in every field—including heroes and saints—who demonstrate the realized potential of our common humanity. And then there are the multitudes who are just plain, ordinary, decent, hardworking folks, uplifted on occasion by the magnetism of those who rise above the average, and sometimes seized by a madness of sorts when the criminal and depraved acquire a kind of glamour.

Every society takes on its unique characteristics from the people who compose it; we are the basic ingredients of our society. The human story is a checkered affair; some ups, many downs. Does a realistic appraisal of our history on this planet provide any warrant for believing that we human beings are capable of approximating a truly free society with its market economy?

I propose to deal with four features of human nature and conduct which give me confidence that in the constitution of ordinary men and women are the characteristics which incline them to strive for a freer life with their fellows. I shall list these four points and then discuss them.

1. There is a strong instinct in all men and women to be free to pursue their personal goals.
2. There is a universal need in each of us to call something our very own; an instinct for property.
3. There is an upward thrust in human nature to live a life that is not simply more comfortable, but better in a moral sense. We really believe in fair play; we respond to the ideals of justice.
4. The market is everywhere; people in every part of the globe have sought to better their economic circumstances by barter and trade. The market is universal; but only occasionally does the market become institutionalized as the market economy.

First Point—Freedom

Every person has a deeply rooted urge to be free to pursue his chosen goals; it is impossible to imagine a person, who is determined to accomplish a certain task, inviting people to hinder or prevent him from getting his job done. Even a dictator as vicious as Stalin, one

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of whose aims was to extinguish personal freedom in a great nation, demanded complete freedom to pursue his evil goals. Anyone who tried to hinder him was shortly referred to in the past tense.

But despite the universal urge for full personal liberty, most people who have ever lived have been slaves, serfs, bondsmen, thralls, helots, Sudras, retainers, lackeys, vassals, liege men, and the like. Despite the fact that every person wants to be free to live on his own terms, most of the earth's people have lived wholly or in part on terms laid down by someone else. There are more of them today than ever before. A powerful instinct for individual liberty animates virtually every man and woman, but this universal urge to be free has been fully institutionalized only once in history —in the theory and practice of old-fashioned Whiggery and Classical Liberalism, rising and falling during the period, approximately from the American Revolution to the early twentieth century.

Second Point—Property

The sense of personal identity is aroused in us early in infancy; it suddenly dawns on each of us that "I am me!" The seeds of our lifelong personal uniqueness are planted early. As soon as we learn to think "me" we begin to think its inevitable corollary, "mine." Every child, early on, comes to regard certain toys as his own. Each of us grows into a property relationship with things in his environment long before he evolves a theory of property, that is, a theory of the correct relationship between ourselves and the things that belong to us. Your property is an extension of your self; no one can live his life to the full unless he owns the things on which his life depends, things which he may use and dispose of in any peaceful way he chooses. Justice demands that every person have a right to acquire property, for every person's sense of self is powerfully linked to the things he owns.

Because property is right, theft is wrong. The belief that property is right is so nearly universal that even thieves believe it. The pickpocket who steals your wallet does not intend his action as a symbolic gesture against the idea of private property; he may be a crook, but he's no socialist! Every crook believes in the sanctity of private property—he doesn't want people stealing from *him!* His attitude toward other folks' property is, shall we say, somewhat liberated. And there's the rub. "Me" and "mine" is a natural instinct; it's the "thee" and "thine" that needs to be fortified by moral values, by manners, and by the law. Gradually, as we mature into moral beings, reciprocity—the idea of "do as you would be done by"—generates the belief that mutual respect for individual property rights is the cornerstone of the free society.

Since the dawn of history, getting hold of other people's property by war, plunder, piracy, pillage, and looting has been a way of life for a large segment of mankind. "Robbery is perhaps the oldest of labor saving devices," wrote Lewis Mumford fifty years ago, "and war vies with magic in its efforts to get something for nothing." And Ludwig von Mises points out that "All ownership derives from occupation and violence." (*Socialism,* p. 32. See also *Human Action,* p. 679.) English civilization emerged in the aftermath of the Norman Conquest; most modern nations have followed a similar pattern, including our own. A people or a tribe acquires its territory by successfully doing battle. It is only the slow progress of civilization and the development of the idea of The Rule of Law that generates the belief that every person's property should be regarded as inviolate by every other person.

A corollary of this is the belief that the primary task of a just legal system is to secure every person's right to that which is his own. We do this by stressing the sanctity of private property and, when moral deterrents to theft are not enough, we seek to discourage thievery by invoking a swift and sure justice designed to increase the risks of robbery and diminish any conceivable benefits.

Third Point—Justice

The practice of pillage is ancient, but so is mankind's concern for justice. Some fifteen hundred years before Christ, a legislator of ancient Israel wrote: "You shall not pervert justice, either by favoring the poor or by subser-

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vience to the great. You shall judge your fellow countrymen with strict justice'' (Lev. 19:15). Pericles, the Athenian statesman of the fifth century B.C., said in his great funeral oration, ''If we look to the laws, they afford equal justice to all in their private differences.'' And Cicero, one of the last of the old Romans, in the century before our era: ''Of all these things respecting which learned men dispute there is none more important than clearly to understand that we are born for justice, and that right is founded not in opinion but in nature.''

Long before some unknown genius framed a theory of justice, men and women knew when they had been wronged, betrayed, let down, dealt with unfairly. The capacity to make moral judgments is built into human nature itself; and human nature is constituted as it is because our nature is derived from the ways things are in the universe.

We are ''in play'' with the universe as we try to keep in time with its music. We have, for example, categories of round and square because these shapes and others are found in the nature existing outside us. The concepts of long and short would be meaningless to us were length not one characteristic of the way-things-are. We have a sense of beauty because we have seen lovely things and listened to melodious sounds. And by the same token, the distinction that mankind universally makes between right and wrong or good and evil presupposes a moral dimension in this universe from which our personal categories derive.

As far back as we can trace man's story we find him drawing ethical distinctions, employing the categories of right and wrong. Jeane Kirkpatrick speaks of ''. . . the irreducible human concern with morality.'' Obviously, we would not expect universal agreement as to which actions should be classified as right and which wrong; but the classification would stand—nearly everyone has agreed that some things are right and others are wrong. It is a long trail that leads from these primitive beginnings to the insights of the moral geniuses of the race—the Hebrew Prophets, Jesus, Confucius, St. Francis—and to the refinements of moral theory of the great philosophers of ethics —Aristotle, Marcus Aurelius, Aquinas, Spinoza, Adam Smith, to name a few.

The distinction that mankind universally makes between right and wrong or good and evil presupposes a moral dimension in this universe. . . .

At this point some timid folk may fear that we are treading on dangerous ground here. Start with the philosophical distinction between right and wrong, they point out, and the next step is to divide people into the multitudes who are wrong, and the few of us who are right. A third step seems to follow: We who are right are commissioned to correct the evil ways of the rest of you. Hence, crusaders against the infidel, suppression, prohibitions, and the like. A spoilsport like Carrie Nation goes around with her hatchet busting up saloons! Innocent pleasures and festive occasions come under attack. Reaction against such real or imagined sequences of events contributes to the widespread ethical relativism of our time. Right and wrong, we now hear it said, is a matter of taste, a matter of feeling; everyone is entitled to decide for himself what is right or wrong for him. In today's vernacular, we are told: ''Do your own thing.''

But when you discard ethical yardsticks, the weak doing their thing are at the mercy of the strong doing theirs, as the twentieth century attests. Ours is the age of ethical relativism and nihilism, and it's no coincidence that ''we live in an age unique for the unrestrained use of brute force in international relations.'' The words are those of Pitirim Sorokin, from his four-volume study of war during the past 2,500 years. The most widespread, potent, evangelizing religion of our time is communism, and communist theory has no place for the traditional ethical yardsticks; in Marxist theory, right and wrong are whatever the party commands. In consequence, communist policy during the first seventy years after the Russian Revolution has exacted a toll of more than a hundred million lives, and what it has not destroyed it has damaged.

These horrors do not faze the liberals who,

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when their attention is called to the facts, like to refer to Lenin's remark that you cannot make an omelet without breaking a few eggs. Human life is cheap in the twentieth century.

You can burn down the barn and get rid of the rats, and you can discard the idea of a moral order and get rid of the reformers. But at what price! If there are no ethical standards, moral relativism holds sway, right gives way to might, and disaster overtakes us in the ways made familiar in this century.

Traditional ethical theory maintains that right is right and wrong is wrong. Why? Because the universe has a built-in moral dimension, a moral law, often identified with God's will. In any event, this moral law is anchored in something deeper and more fundamental than private feelings, majority opinion, party dictates, or the will of some despot. The moral law is an important facet of the nature of things, and it is binding on all men and women.

Every one of us is fallible; no one can be certain that he has correctly read some deliverance of the moral law. So we shouldn't be surprised when some would-be reformer comes out of the woodwork and annoys us with his eccentric interpretations of the moral law. He may earnestly desire to do good, but he goes about it in the wrong way. But such a person is harmless, unless he comes to power. Moreover, if we solicit the counsel of the most ethically advanced men and women we find that they are unanimous in telling us that the right and the good can be advanced in three ways only: by reason, by persuasion, and above all by example.

Fourth Point—Economic Action

It is a fact of the human situation—regardless of the nature of the social order—that man does not find, ready-made in his natural environment, the wherewithal to feed, house, and clothe himself. There are only raw materials in nature, and most of these are not capable of satisfying human needs until someone works them over and transforms them into consumable goods.

Man has to work in order to survive. He learns to cooperate with nature, making use of natural forces to serve his ends. Work is built into the human situation; the things by which we live do not come into existence unless someone grows them, manufactures them, builds them, and moves them from place to place.

Work is irksome and things are scarce, so people must learn to economize and avoid waste. They invent labor-saving devices, they manufacture tools, they specialize and exchange the fruits of their specialization. They learn to get along with each other, our natural sociability reinforced by the discovery that the division of labor benefits all. Division of labor and voluntary exchange constitute the marketplace, which is the greatest labor-saving device of all.

"This division of labor, from which so many advantages are derived," wrote Adam Smith, "is not originally the effect of any human wisdom which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a certain propensity in human nature . . . the propensity to truck, barter, and exchange one thing for another. . . . It is common to all men, and to be found in no other race of animals."

It is natural for us human beings, as we seek to improve our circumstances, to bargain, swap, barter, and trade. This is the market in action: men and women trading goods and services in a noncoercive situation. The benefits of such activity are mutual and obvious, which is why the market is everywhere. The market has always existed, and it's in operation today all over the world. Virtually no tribes are so primitive, and no collectivism so totalitarian as to prevent people from engaging in voluntary exchanges for mutual advantage. But only rarely has the market ever got itself institutionalized as the market economy—the thing called capitalism.

What does it mean to say that something has been institutionalized? When practices which heretofore have been informal and sporadic become formalized, regular, habitual, and customary they are said to be institutionalized. As institutions they operate by an established rule or principle; they draw support from the moral code and are buttressed by appropriate laws.

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For example, education is institutionalized as the school; religion is institutionalized as the church. And the market—individuals trading, bartering, and swapping—is institutionalized as the market economy, or capitalism. This occurs when free-market practices are allied with appropriate moral, cultural, legal, and political structures. Has this ever happened? Yes, but probably only once, and in a few countries only, when free-market practices coalesced with the Whig social order in the eighteenth and nineteenth centuries. This was the social order Adam Smith referred to as his "liberal plan of equality, liberty and justice."

I have briefly set forth four convictions of mine—which I would put into the category of self-evident truths. First, every person has an unquenchable urge to be free to pursue his personal goals—but seldom translates this into the idea of "equal freedom." Second, every person has an instinct for private property—every "me" requires a "mine." Third, every person has moral sense; he knows when he has been dealt with unfairly or treated unjustly. When we become mature persons we strive for equity; we try to treat others as we would like to be treated. In the fourth place, it is a fact of common observation that people of every culture, and at every level from the most primitive to the most civilized, engage in trade and barter; the market is ubiquitous.

A Fifth Point—Political Plunder

And now for the bad news: Whenever a society moves above the level of desperate poverty, and has generated even a modicum of prosperity, some citizens set up institutions which enable them to live on the fruits of others' toil. The law, established to achieve justice between person and person, is perverted into an instrument of plunder. This is the central message of Frederic Bastiat's *The Law*.

Citizens of our own nation have gone far in this direction. A recent news item reports that 66 million Americans receive 129 million checks each month from the Department of Health and Human Services. Tens of millions of additional Americans derive their incomes in part or in full from money taxed from productive working people. These 80 or 90 million people constitute what Leonard Read used to call a plunderbund.

We are now a nation where almost everyone is trying to live at the expense of everyone else. We have written a form of theft into our statutes. Why? Because there's a little bit of larceny in our souls! Large chunks of the American electorate have discovered that living off government handouts is easier than working for a living and safer than stealing, so they create political parties in their own image; and they elect politicians who promise them an inside track to the public treasury.

Present-day Americans are not unique in this respect. The legal transfer of wealth from producers to beneficiaries goes on today in every nation, and something like this has occurred in virtually every society since the dawn of time.

The Roots of Plunder

How did this politico-economic pattern originate? The most plausible answer is that the system of plunder was installed in the aftermath of a conquest. A hardy band of warriors swoops down from the hills and overcomes the people of the plain. The victors enslave the vanquished, setting themselves up as a governing body over a permanent underclass. Time passes, intermarriage occurs, and gradually the former warriors go soft and a hardier tribe overcomes *them*, and history repeats itself.

Apart from whatever excitement some men feel in battle, and the gratification that some people get from being the boss and giving orders, there is an economic motive behind the conquest and the subsequent system of rule. There is a natural drive in human beings to live better while working less; or, better yet, to live well without working at all.

Now, no one can get something for nothing unless he wields political power or is a friend of those in power. If you have such power you don't have to go into the marketplace and try to woo customers; you *take* what you want. This is not considered theft because the legal system has been set up to facilitate this transfer of property from those who produced it to those in power.

Such is the political pattern exhibited by

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most nations known to history. This pattern can be viewed as an effort to answer three questions:

1. Who shall wield power?
2. For whose benefit shall this power be wielded?
3. At whose expense shall this power be wielded?

What we are describing here is the well-nigh universal arrangement by which nations have been governed over the centuries by kings, presidents, and potentates; by emperors and mikados; by shahs, czars, maharajas, and pooh-bahs of all kinds. Their institution is usually called "government." The word "govern" is derived from the Latin *Gubernare,* to steer. So when a group of people is elevated above the generality of citizens—as a result of conquest, usually—to ride herd on them, rule them, regulate them, control them, and exact tribute from them, they are "governing."

This was the *modus operandi* in the governance of nations, everywhere, and in every century. Then came the Whig breakthrough in the eighteenth century. It was the polar opposite of "rule" in the old sense; it was a new vision of a society which aspired to achieve liberty and justice for all. It was the novel idea of *a government that did not "govern,"* but sought instead to protect the life, liberty, and property of all persons alike. The keynote of Whiggery was the ideal of equality before the bar of justice: The Rule of Law.

It is an idea familiar to everyone that the same instrument may be put to radically different uses. The knife you use to slice the roast may be used to kill someone. The hand that now caresses may, next hour, deal someone a mortal blow. And the law, as Bastiat points out, may serve justice, or it may violate justice when it is employed as an instrument of plunder.

The law serves justice when it acts to restore the peace, broken when someone's rights were violated. But the law may misuse the power entrusted to it by itself violating someone's rights, for its own ends or to further the purposes of a third party.

The Whigs used the word "government" but gave it a radically new meaning; from now on its role was to be limited to the actions required to maintain justice between person and person. Government was no longer to intervene positively in people's lives to rule them, regulate them, or interfere with the peaceful actions of anyone.

Confusion is sown when two radically different functions are tagged with the same label; the agency designed to serve the ends of justice by securing each person's rights to life, liberty, and property may rightfully be called "government." But the institution set up to *impair* people's rights to the life, liberty, and property ought to bear some other name. Albert Jay Nock suggested that the law, when perverted into an instrument of plunder, be called The State. The functional distinction between the two institutions—government and state—is clear.

It is in the nature of government, we might say, to use lawful force against aggressors for the protection of peaceful people. Government does not initiate action; government is triggered into "re-action" by earlier criminal conduct which causes personal injury to innocent people or otherwise disrupts the peace of the community. The state, on the other hand, initiates action. The state initiates legalized violence against peaceful people in order to advantage some people at the expense of others, or to further some grandiose national plan, or to promote some impossible dream. To paste the same label on two such radically different actions is to promote misunderstanding.

The problem is ancient, as witness the testimony of St. Augustine, dating back to the fifth century A.D.:

> Without justice, what are kingdoms but great robber bands? For what are robber bands themselves, but little kingdoms. The band itself is made up of men; it is ruled by the authority of a prince; it is knit together by the pact of the confederacy; the booty is divided by the law agreed on. If, by the admittance of abandoned men, this evil increases to such a degree that it holds places, fixes abodes, takes possession of cities, and subdues people, it assumes the more plainly the name of a kingdom.

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The Whig Idea

The Whigs got the point. Whiggery was the eighteenth-century creed of such men as Edmund Burke and Adam Smith; on these shores it was embraced by the likes of Thomas Jefferson and James Madison. Whiggism became Liberalism after 1832, and this noble creed projected a pattern for the lawful ordering of a society which was radically different from every political pattern known to history prior to the eighteenth century. Since the eighteenth century many nations have gone from monarchy to republicanism to democracy to socialism, but this is merely to rearrange the furniture while the political plundering continues much as before.

Whiggism is a difficult philosophy to grasp, for old ways of thinking stand in the way—and so does the ingrained reluctance of many to give up the ages-old political racket which operates whenever the law is perverted into an instrument of plunder.

Jefferson and his friends had a solid grasp of the old Whig idea when they wrote that "all men are created equal," and that they are "endowed by their Creator with certain unalienable rights," and that governments have no other reason for being than to secure people in their God-given rights.

The Whig idea filtered down into the popular mentality and came out as a piece of folk wisdom wrongly attributed to Jefferson: "That government governs best which governs least." Close, but no cigar. Thoreau did better with his play on words: "That government governs best which 'governs' not at all," perhaps having in mind Aesop's fable about King Log versus King Stork.

The Whig idea, the American idea as voiced in the Declaration of Independence, viewed "government" as an instrument of justice, set up to interpret—and enforce when necessary—the previously agreed upon rules without which a free society cannot function. "Government," then, would be analogous to the umpire in the game of baseball. The umpire does not direct the game, nor does he side with either team; the umpire acts as an impartial arbiter who decides whether it's a strike or a ball, whether or not the runner is safe at first, and so on. In the nature of the case these decisions cannot be made by the players or by the fans; the game of baseball needs an independent functionary who sees to it that the game is played within the rules. Every society, likewise, needs a nonpartisan agency to act when there is a violation of the rules on which that society's very existence depends.

The uniquely Whig and American political breakthrough was the conception of a government that did not "govern," an umpire government limited to insuring that the rules upon which a society of free people is premised are maintained—and with the authority to penalize anyone who violates those rules.

We have moved a long distance away from a truly free society; and we're even further from the theory or philosophy which gave rise to the free society. The restoration of that philosophy begins with a candid exploration of the issues.

However, no clarification of the issues is sufficient by itself to rehabilitate the old ideals of freedom and justice. The next step must be adequate educational attention to the matters in question; and from there on we rely on informed moral choice. □

Authors of Values

IDEAS ON LIBERTY

For if the essence of men is that they are autonomous beings—authors of values, of ends in themselves, the ultimate authority of which consists precisely in the fact that they are willed freely—then nothing is worse than to treat them as if they were not autonomous, but natural objects, played on by causal influences, creatures at the mercy of external stimuli, whose choices can be manipulated by their rulers, whether by threats of force or offers of rewards. —ISAIAH BERLIN

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A New Space Policy: Free Enterprise

by J. Brian Phillips

Since the Challenger Shuttle disaster effectively grounded America's space program in January 1986, President Reagan has increasingly called for private businesses to enter the space industry. Space Services Inc., which made a successful test launch in 1982, plans to begin commercial operations in late 1988, as does start-up firm American Rocket. Aerospace veterans Martin Marietta and McDonnell Douglas already have received orders for satellite launches. Despite this, America still trails the Soviet Union in satellite launches, and the Europeans and Japanese are quickly catching up.

The launching of Sputnik in 1957 was taken by many Americans as a signal of Soviet technological superiority. To calm a frightened public, the U.S. government poured billions of dollars into the space race and, to this day, the American space program has been a virtual government monopoly.

In the aftermath of the Challenger explosion, editorial writers and columnists across the nation condemned the politicalization of NASA. However, they failed to realize that any agency whose budget is politically controlled—such as NASA—is eventually politicized. As Challenger demonstrated, when political expediency replaces scientific judgment, the results can be tragic.

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Over the years, NASA's monopoly has been enhanced by subsidization, legislation, and regulation. Space Services Inc. President David Hannah Jr. told a Houston space conference shortly after his company completed its successful launch: "I consider the slowest aspect of our program is going to be politics. Getting the necessary approvals from the State Department and the United Nations is going to be much harder to work than the technical implementations."

In a report for the National Center for Policy Analysis, Dr. Jerry Grey, publisher of *Aerospace America,* elaborates on this: "Private companies in the satellite communications industry must answer to 13 federal regulatory bodies, two international organizations, and four international treaties."

Using Proven Technology

Proponents of a government-run space program argue that the vast capital and resources required for such ventures can best be obtained by government. But private firms are responding to this problem by moving toward smaller equipment and by using older, proven technology. This saves millions of dollars. Additionally, many companies are forming partnerships on projects, such as Space Industries Inc. and Westinghouse, which are planning a joint space laboratory. McDonnell Douglas is

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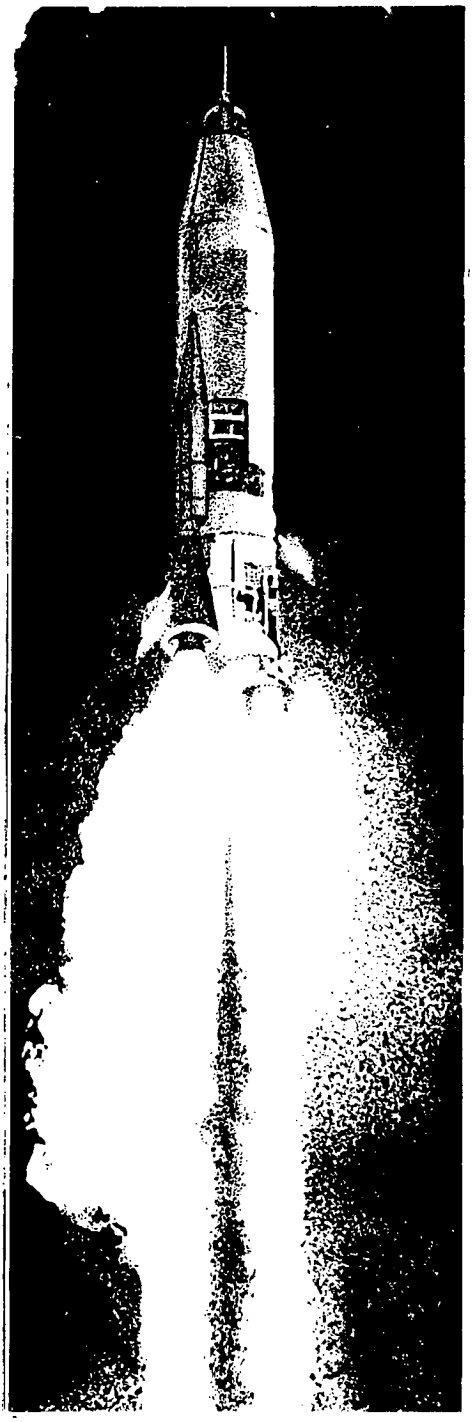

looking for a partner to manufacture pharmaceuticals in space.

The costs of doing business in space are high, but so are the potential rewards. Companies which start small and use their profits to expand could quickly become major factors in the development of space. Furthermore, once many of the risks have been eliminated, other firms will be more inclined to exploit the unique opportunities offered by space.

Some backers of NASA contend that there are parallels with the federal government's role in the development of the early West. Space, they argue, is merely another frontier to be conquered. While this is true, it must be noted that the government's role in developing the West was pretty much limited to protecting property rights, e.g., establishing the rules by which the vast tracks of unsettled land could be claimed, and building a series of forts to protect pioneers. The real development of the West—railroads, mines, agriculture, etc.—was mostly a product of private enterprise.

When political expediency replaces scientific judgment, the results can be tragic.

Until the Challenger disaster, the Shuttle was to be America's principal launch vehicle. Expendable launch vehicles were to become obsolete. Consequently, when the Shuttle program shut down in the wake of the loss of Challenger, America was left without a dependable launch system, and U.S. satellite launches have fallen more than a year behind schedule.

Private companies, by their very nature, will not all use the same launch vehicles. Martin Marietta will use its Titan rocket; McDonnell Douglas will use its Delta rocket; Space Services will use the Conestoga, while American Rocket will use a hybrid vehicle. Thus, if one system fails, there will be others to fill the gap.

There is an old adage about putting all your eggs in one basket. America's "space eggs" have all been placed in one basket—NASA—and the consequences are painfully clear. It is time for a space policy which eliminates this government monopoly and allows America's entrepreneurs the freedom they need to reach for the stars. □

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The *Un*employment Act of 1946

by John Semmens and Dianne Kresich

Government in America has been on a spending binge for over 40 years. Much of this spending has been for the express purpose of stimulating the economy. The rationale behind government stimulation is the presumed need to maintain aggregate demand and avoid recessions or depressions.

During the Great Depression of the 1930s, John Maynard Keynes concocted a "cure" for depressed business conditions. This "cure" involved deficit spending and debt monetization (i.e., inflating the money supply) as a means of generating adequate aggregate demand, while surreptitiously reducing the real prices of idle inputs, especially labor. The "cure" was designed to inject money into the spending stream at a time when entrepreneurial timidity and nominal price rigidity combined to produce high unemployment.

The Keynesian "cure" was a radical departure from the classical approach to business recessions, which relied upon free-market price adjustments to reallocate resources and thus reverse the economic decline. This approach had always worked in previous depressions, yet seemed to be ineffective during the early years of the Great Depression. The reason for this apparent failure is not hard to find: Government interventions eliminated any semblance of free-market pricing. These interventions included (1) high tariffs to "protect" American jobs, (2) manipulation of the money supply—first inflating, then contracting the quantity of money, (3) tax increases to fund expanded government programs, and (4) price and wage "fixing" via the National Recovery Administration. Given these interferences, it should not have been surprising that the economy was having difficulty righting itself.

The Keynesian approach to this politically engineered economic impasse was to seek downward price flexibility in *real* terms by debasing the monetary unit. Thus, even though nominal prices and wages would remain high, real prices and wages would be reduced via inflation. To assure that the newly created money would get into the economic flow, the government itself undertook to spend it. That much of this newly created money was wasted on nonproductive activities was irrelevant to the Keynesian program, since it was only supposed to be a short-term remedy. The episodes of fiscal deficit and monetization of debt were to be offset by balancing fiscal surpluses and monetary restraint during periods of prosperity. In this way, economic policy-makers supposedly could act to counter the excesses of the business cycle and achieve stable growth.

The latter half of the 1930s saw a heavy dose of deficit spending and debt monetization without the attainment of stable economic growth. World War II injected the motive of patriotism to spur economic output of war goods. The ills of the economy were submerged in the effort to win the war. As the war drew to a close, though, the fear of a return to depressed business conditions dominated the economic policy debate.

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Support for the Employment Act of 1946 was generated by those sympathetic with more government control of the economy. Henry Wallace, Vice President under Franklin Roosevelt in the 1941-45 term, vigorously backed legislation committing the government to a more active role in the economy in order to achieve full employment. As Wallace saw it, the high unemployment of the 1930s was the result of the "planlessness" of the U.S. economy.[1] The *New Republic* gave editorial support citing, with great admiration, the Soviet Union's constitutional guarantee of a job for every citizen.[2]

While the more mainstream members of Congress did not necessarily buy the entire case for the planned or socialized economy, they did enact the Employment Bill. Falsely blaming laissez faire for the Great Depression, this law made the federal government responsible for creating and maintaining the conditions for full employment. It established the President's Council of Economic Advisers to furnish the expertise that was supposedly needed to anticipate and avoid future recessions.

The Act provided that full employment was to be maintained by "compensatory spending." That is, the government was to make up for "inadequate" private sector spending by running budget deficits and spending money it created. This anti-recessionary program was to be put into effect when the President's economic advisers foresaw a decline in the business sector. That these advisers could do a better job of forecasting than the numerous participants in the marketplace was assumed without evidence.

Whether economic fluctuations have been avoided and whether this has been because of, or in spite of, the increasing government intervention in the economy over the last 40 years are the crucial issues in evaluating the Employment Act. Defenders of government intervention eagerly point out that the nation hasn't seen a repeat of the Great Depression since the Act. This seems impressive until one recalls that *until* the Great Depression the nation had not seen as devastating an economic decline. The 150 years of U.S. history prior to the Great Depression were generally laissez faire when compared to the 50 years following this period. The policy of heavy government intervention would have to weather another 100 years without producing a Great Depression before we could even pretend to congratulate ourselves for discovering a key to perpetual prosperity.

Are We Better Off?

Even though the post World War II era has not produced another Great Depression, this alone does not tell us whether we are better or worse off for governmental attempts to manage the economy. From the outset, critics of such management pointed to timing, information, and political problems that would thwart government efforts to engineer prosperity. Since there is a lag between the initiation of fiscal or monetary stimulation and their impact on employment, timing is critical. Government experts must anticipate fluctuations in the economy and take action prior to the anticipated events. If predicting the future course of the economy were a science, then all economists would be fabulously wealthy. That they are not is ample evidence that there is considerable difficulty in making accurate forecasts.

Obtaining the economic information with which to make forecasts is time-consuming and costly. By the time data are gathered and analyzed they most likely are obsolete. To speed up this process or to make it more comprehensive is expensive. This raises the prospect that the cost of the information may be more than it is worth. Of course, in the final analysis, factual data are only inputs to a fundamentally judgmental process.

Using sophisticated computers to plot and project the future course of the economy based on past information misses the essential nature of the forecasting task. The future is unknown. It will not be a simple replication of current trends or past cycles. If the future were routinely predictable there wouldn't be so many forecasting errors. The trick in forecasting is to anticipate when and how the future inevitably will differ from the past and present. This requires judgment.

Judgment can be cultivated through learning and experience. On the micro level—where we try to comprehend and deal with developments

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in our own family finances, businesses, and industries—this is not an insurmountable task. Economic decision-makers, whether businessmen, employees, or consumers, can have some success in understanding the conditions and requirements of their particular circumstances. Determining what to sell, where to work, or whether to buy requires detailed knowledge of specific needs and capacities.

At the macro level, however, where government planners try to comprehend and anticipate the course of the entire economy, detailed specific knowledge doesn't exist. The aggregate statistics which are available do not reveal the many ways in which economic expansions and contractions may occur simultaneously in different products and different markets. Since the purpose of production is the creation of specific products for specific uses, how particular resources are used is critically important. The Keynesian macro-management premise that merely maintaining aggregate demand—no matter what is produced—is sufficient to assure full employment is hopelessly in error. The government, lacking the necessary information, cannot efficiently deploy resources for the betterment of the economy.

To the impediments of improper timing and insufficient information, government intervention adds political manipulation. Even if the government's experts agreed on the data and timing for prospective interventions, political factors would distort policy. Keynesian macro-management calls for a balanced program of deficits during recessions and surpluses during booms. Strangely, though, the surpluses over the last 40 years have been small and infrequent. In contrast, the federal government's deficits have been huge and repetitive.

Macro-management has degenerated into an excuse for excessive Federal spending. When the economy is in recession, politicians can rely upon the Keynesian prescription for stimulative spending. When the economy is strong, politicians are encouraged to spend more because we can afford it. So, no matter what condition the economy is in, politics opts for more spending.

The penchant for spending has far outrun the inflation it has spawned over the last 40 years. As might be expected, a Keynesian program of deficits and money creation has pushed price indexes up by over 400 per cent since 1946. At the same time, nondefense spending by all levels of government has risen by over 3,000 per cent. This diversion of private resources to government use has imposed large and mostly hidden costs on our nation's economy.

Consider that funds can be employed productively or nonproductively. In the private sector, it makes a difference to the economic decision-maker which outcome or use results. In the public sector, however, the attitude is more casual. Unlike entrepreneurs who must employ funds productively to stay in business, government bureaucrats rarely concern themselves with the return on their use of resources. Many in government pridefully assert that the public sector's indifference to profits assures a more socially useful deployment of resources. However, this attitude miscontrues the meaning of profit and leads to policies that waste the funds appropriated from the taxpayer.

The Role of Profit

The creation of profit indicates that value has been enhanced by the undertaking earning the profit. The maker of profit has accurately identified needs and efficiently fulfilled them. The resulting profit is the difference between value and cost as determined by the marketplace. The larger the profit, the greater the social gain in value over cost. Accumulation of gains like this enables the economy to grow to meet even wider needs in the future.

For example, an enterprise that made a consistent 10 per cent profit on its investment year after year would be able to expand 45-fold over a 40-year period. In contrast, an enterprise that consistently lost 10 per cent each year would shrink to less than 1½ per cent of its original value after 40 years. The assets available to society from these contrasting results are significantly different. Assume that each enterprise started with a million dollars. After 40 years, the enterprise making the 10 per cent annual profit would have grown to $45 million in assets. The enterprise losing 10 per cent per year would have shrunk to $15,000.

Obviously, it does matter how resources are employed. The notion of spending funds on

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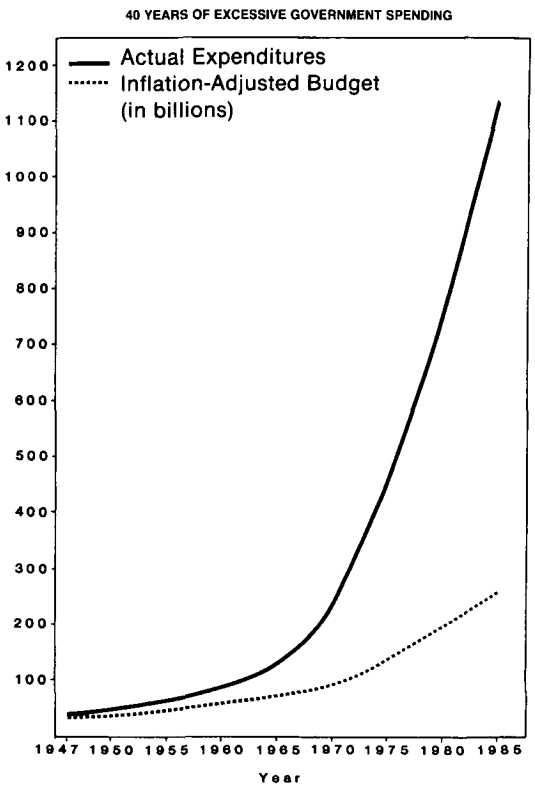
make-work schemes to sustain aggregate demand has a devastating impact on the economy over time. Clearly, a business with $45 million in assets can employ more workers than a business with $15,000 in assets. Yet, government spending has been transferring resources from profitable enterprises for the past 40 years. Indeed, the long-term impact of growing government spending has been the destruction rather than the creation of jobs. Far from being the friend of the working man, big-spending politicians have pursued programs that have dramatically restrained opportunities and compensation in the U.S. economy.

What Might Have Happened?

The magnitude of the negative impact on employment from excessive government spending can only be estimated. We can't really know what specific options were sacrificed by this spendthrift era, but we can make a crude approximation. For this purpose, let us imagine that in 1946, instead of committing the government to a wastrel course, politicians at all levels determined to hold government spending constant with respect to population and the purchasing power of the dollar. What might have happened?

The accompanying graph tracks actual expenditures by all levels of government versus a hypothetical inflation-proof, population-growth adjusted budget. This hypothetical budget assumes that the government would have maintained the same real (inflation-adjusted) per capita expenditures that prevailed in 1947 (the first year after the Employment Act). These budget comparisons omit defense outlays. Rather than debate over whether defense outlays of the magnitude experienced were necessary due to forces (hostile nations) outside the U.S.'s control, these expenditures were excluded from both the actual and inflation-adjusted budgets.

Over the 40-year period, the inflation-proof, growth-adjusted budget grew from $33 billion to $272 billion: a 700 per cent increase. Actual government outlays grew from $33 billion to $1.1 trillion: a 3,200 per cent increase. The cumulative excess of spending over that needed to maintain real per capita government services



was nearly $8.1 trillion. Current government spending is now over $800 billion higher than the inflation-adjusted budget would have required.

If the excessive spending had not occurred and if the funds had been left in the private sector through reductions in corporate, business, and income taxes, a considerable amount of additional capital could have been created. Using the rather modest rates of return earned by companies comprising the Dow Jones Industrials, we calculate that an additional $22 trillion in assets could have been accumulated. Inasmuch as the actual estimated corporate assets of the U.S. economy approximate $13 trillion, the impact of excessive government spending is clearly substantial. The failure of public policy to allow the economy to compound profits in this fashion over the past 40 years has significantly reduced job opportunities and real wages—the goods and services an individual's wages can buy.

It must be remembered that this little exercise is hypothetical. We have not measured the impact of excessive government spending so

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much as we have gained some insight into the magnitude of the real, long-term burden placed on the economy. One can't really measure the size of a growth that did not occur.

Many defenders of government spending are quick to allege that these outlays "create" jobs. While it is true that some specific jobs would not now exist if the spending binge had been contained, it is difficult to see how a *net* gain from this consumption of resources can be claimed.

Transfer Programs Grow

The largest growth in government spending has been in income transfer programs. There is no doubt that these programs have created jobs for many bureaucrats. However, this is hardly a net gain in employment. A similar amount of money spent on goods and services by consumers and businesses would likely employ a comparable number of people, albeit at different kinds of jobs.

In addition, transfer payments discourage people from working. As Charles Murray points out in *Losing Ground,* the more generous the benefits are for being poor or unemployed, the greater the temptation to be poor or unemployed. The loss of the output of large numbers of discouraged and unmotivated individuals clearly reduces the wealth of the society. Less wealth means fewer employment opportunities and lower real wages.

Public funds also are used to provide services that lose money. Whether it be the construction of dams and canals that produce fewer benefits than costs or the operation of deficit-ridden transit systems, almost every government-produced service generates less value than it cost. As a result, capital is consumed and society's wealth declines.

Capital also is consumed by government regulations. Some people, of course, may argue that regulations provide jobs for clerks, statisticians, administrators, lawyers, and the like. But at the same time, the resources consumed in pursuing or defending against litigation are resources unavailable for research, new equipment, training, or other more productive uses. The ultimate result of litigation is a transfer, not a creation, of wealth. The more time and energy diverted to such efforts to transfer wealth, the less that can be invested in adding to wealth. This also has a negative effect on employment.

The crushing burden of taxation and government debt necessary to finance the explosion in spending also contributes to lower levels of employment. On the one hand, taxing profits and wages reduces the rewards for generating valuable output. The motivation to work hard and risk money in investments is diluted by high rates of taxation. On the other hand, the mushrooming public debt has crowded out many private sector ventures, while raising the cost of financing others. At the same time, Federal Reserve monetization of Federal debt has inflated the money supply, eroded the value of the dollar, and penalized savers. Excessive government taxing and borrowing have battered down both the incentives and the means of accumulating wealth. This also negatively effects employment.

Examination of the 40 years since the Employment Act of 1946 does not produce evidence for the success of government intervention aimed at promoting employment. Instead, our economy has suffered the loss of a significant opportunity to have improved the wealth and well-being of working people. While we cannot retrieve the sunk costs of 40 years of government waste, we can try to go forward to reduce and eventually eliminate this profligacy. Whether the government can be broken of the habit of excessive spending is the crucial question. □

1. G. J. Santoni, "The Employment Act of 1946: Some History Notes," *Review* (Federal Reserve Bank of St. Louis, November 1986), pp. 5-16.
2. George Soule, "The Full Employment Bill," *The New Republic* (August 6, 1945), pp. 154-156.

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A REVIEWER'S NOTEBOOK

To Choose Freedom

by John Chamberlain

Vladimir Bukovsky was one of those pesky Russians who, when Leonid Brezhnev was running things in Moscow, took the question of human rights as guaranteed by the Soviet constitution seriously. He deliberately defied the KGB, and he would have been permanently lost in the Gulag or in a succession of psychiatric hospitals if friends in the West hadn't taken up his cause. The clamor got on Brezhnev's nerves. So, to get rid of a man whom he regarded as a bothersome kook or flake, Brezhnev, in 1976, released Bukovsky in exchange for Luis Corvalan, a Chilean Communist.

Robert Hessen, in a foreword to Bukovsky's new book, *To Choose Freedom* (Hoover Institution, Stanford University, 188 pp., $19.95), says that Bukovsky has flourished in a climate of freedom. His first book, *To Build a Castle,* has been a best-seller around the world. A reprint of a Bukovsky essay protesting against advocates of unilateral disarmament sold more than fifty thousand copies. But in spite of his welcome in the West, Bukovsky is highly dissatisfied with much that he has found.

The main theme of *To Choose Freedom* is that we, in the West, take our rights and liberties entirely too much for granted. We have what Bukovsky calls "an astonishing incapacity for thinking." All around him he sees "socialism arousing the greatest sympathy; people see it as a genuine solution. And yet no one really knows what socialism is. . . . I am irritated by the number of people all over the world who are persuaded that the way to solve human problems is by a simple redesigning of social structures."

Bukovsky says he has been looking for capitalism in the West but has been unable to find it. "As for capitalism," he writes, "I have never seen it and don't even know if it is possible." But then, after chastising us for "parasitism," Bukovsky reverses his field. "It is possible," he says, "to abolish money, to destroy articles of luxury, to institute stringent rationing of food and basic necessities . . . to reduce human life to any kind of bestial level in the attempt to establish equality. . . . But it would be a venture doomed from the start. The individual will always find a way of standing out, and people will unfailingly assign value to something of which there is not enough to go around equally."

In all its history, says Bukovsky, the Soviet Union has failed to extinguish the instinct for private property. Nor have the Soviets been able to eliminate social classes. But "the State, that monster with a thousand heads," continues to pursue the property owner "as if he were a criminal."

In the West, Bukovsky tells us, the role of the KGB is, in part, taken over by the agencies in charge of taxation. "The issue," he writes, "is not money so much as keeping one's independence, an idea profoundly offensive to socialism."

Bukovsky doubts that Gorbachev's "glasnost," or openness, will make any great differ-

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ence. Nobody in Russia believes in communist dogma anymore, "but at the end of the day the Communist Party is still in firm control of every aspect of Soviet life, and communist ideology is never challenged within the party." We cannot expect even a "pragmatic" and a "young and energetic" Gorbachev to change a system that is dominated by a bureaucracy so thoroughly entrenched. It does not matter, so Bukovsky says, how young and energetic a Communist General Secretary may be "because he is not a human being—he is a function . . . Big Brother Andropov, Chernenko, or Brezhnev could be practically dead at the end of their reign, yet their letters, decrees, and interviews continued to appear. Their function continued to exist as if nothing had happened, like communist ideology continues to exist and control Soviet life, although nobody believes in it." In Bukovsky's opinion the difference between being an old "function" like Brezhnev or a young "function" like Gorbachev is nil.

So why should we struggle to get to the negotiating table to deal with a "function"? Why bother to procure another piece of paper which the Soviets will not respect? Addressing himself to the western authorities, Bukovsky asks: "Aren't you tired of this endless paper game?"

Bukovsky has no trust in our Congress, which he accuses of "cowardice." "When the American Congress," so he wrote in disgust, ". . . refuses to support the popular resistance to the communist regime in Nicaragua, or when we hear about the intention to recognize the communist government in Angola we must consider it a defeat for us all."

Although on most of his pages Bukovsky comes through as a profound pessimist, he is still capable of kicking like a steer. At the very least he has some hopes that we will reform our language, and when we are done with that we will be able to tell ourselves the truth that detente is a snare and a delusion. Clinging to paper is nonsense, he says, at a time after our human rights have been "so blatantly violated, after 'Solidarity' was crushed in Poland and Afghanistan was invaded, after an attempt on the Pope's life had been masterminded by the KGB, after Andrei Sakharov nearly died in exile and practically all members of the Helsinki Monitoring Groups were persecuted."

Bukovsky's final advice is simply to keep the pressure on. The Soviets cannot successfully continue their military competition with the West, and they cannot continue to support their evergrowing empire. □

Ludwig von Mises

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WILLIAM GRAHAM SUMNER
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